MICRONOTES, LLC – BUSINESS PLAN

By

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MICRONOTES, LLC – BUSINESS PLAN

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Devon Andrew Kinkead

Submitted to the MIT Sloan School of Management on May 9, 2008 in partial fulfillment of the requirements for the degree of Master of Science in Management at the Massachusetts Institute of Technology

Abstract

The primary goal of this research was to determine if Micronotes, a start-up company based on an electronic bill-pay service that enables customers to prepay and discount their bills, is a viable business proposition. Here is how Micronotes works: On April 15th, a customer receives a $1,000 insurance bill due on May 15th. She enters the bill amount and due date into the Micronotes server, accessible via cell phone, handset, or the internet, and determines that she can pay Micronotes $996.12 today to settle that bill and Micronotes will pay her $1,000 bill, in full, on May 15th. Micronotes aggregates her $996.12 payment on April 15th with millions of other customer payments, and invests it into short-term, low-risk, institutional-grade securities which mature just before the due date of her bill; Micronotes then pays her $1,000 insurance bill on May 15th. The idea is to get people to think about paying bills incrementally earlier as a discount opportunity, rather than a burden to avoid – and by doing so, create perfect on-time payments for customers which will eliminate late fees, yield higher credit scores, and ultimately lower credit costs.

The research design comprised qualitative and quantitative market research to understand the level of customer interest in the concept, creation and maintenance of customer trust, the firm’s system of innovation as a competitive advantage, the regulatory and tax environment in which this business will operate, system and financial modeling to understand business drivers and sensitivities, market timing, international expansion, and routes to liquidity for investors.

Our results reveal that Micronotes (Mnotes) is an electronic bill-pay service that will enable 24.8 million U.S. small businesses to quickly, conveniently, and securely discount and pay any of the $5 trillion dollars in bills they pay annually via handset or internet and by connection to the institutional-grade money markets. Our market research suggests that 27% of the 7.7 million female-owned small businesses, our initial target market, would use the Mnotes service yielding $486B/year in short-duration investment volume for the firm. 13.3% target market penetration, or 320,155 customers are needed to reach break-even operations under present assumptions.
Contents
Abstract............................................................................................................................... 3
Table of Figures .............................................................................................................. 5
Research Goals............................................................................................................... 6
Past work ........................................................................................................................... 7
  Prior Art: PCT/US01/08113 ....................................................................................... 7
  Prior Art: Patent 5,978,780 ....................................................................................... 7
  Prior Art: American Express Plum Card (available in the U.S. only as of 1 May 08) .7
Project Design .............................................................................................................. 9
Data collection ................................................................................................................ 10
Results & Business Implications .................................................................................. 10
Background .................................................................................................................... 12
Testing Assumptions .................................................................................................... 16
  What job are people trying to get done and what are the obstacles? ..................... 16
Building Trust .............................................................................................................. 34
  Quality ....................................................................................................................... 35
  Character ................................................................................................................... 35
Innovation ....................................................................................................................... 36
  Identify and bond with customers who are doing innovative things with our service 36
  Partner with the MIT Labs ....................................................................................... 39
  Exploit Micronotes System Dynamics .................................................................... 40
Network Externalities .................................................................................................. 42
  Architect customer data storage in such a way that cluster analysis can be performed 42
  and innovative uses of the service can be tracked .................................................... 42
  Cost/benefit analysis lives in customers’ heads – not ours! ................................. 43
Regulation and Taxation ............................................................................................ 44
  Regulation ................................................................................................................ 44
  Taxation ...................................................................................................................... 47
Business Model ............................................................................................................ 49
  Business Drivers ..................................................................................................... 50
  Financial Model ....................................................................................................... 53
Sensitivity Analyses ........................................................................................................ 55
Market Timing.................................................................................................................. 58
Operating Plan ............................................................................................................... 59
International Expansion ................................................................................................ 60
Intellectual Property ...................................................................................................... 65
Achieving Liquidity ........................................................................................................ 65
Summary and Conclusions ............................................................................................ 66
Index .............................................................................................................................. 67
Appendix ........................................................................................................................ 70
Sensitivity Analysis Assumptions .................................................................................. 70
End Notes ........................................................................................................................ 75

Table of Figures
Figure 1 – Screen shots of the Micronotes service of three different cellular telephones. 11
Figure 2 - Micronotes concept screen-shot................................................................. 11
Figure 3 - Incentives in the existing bill-pay system .................................................. 14
Figure 4 - Incentives in the Micronotes bill-pay system ............................................. 14
Figure 5 - BankRate.com checking account interest rates for Boston-area banks on 1 May
08................................................................................................................................... 15
Figure 6 - Concept test delivered to the survey group via internet................................ 23
Figure 7 – Survey group’s employment demographics ................................................ 24
Figure 8 – Survey group’s view of value ..................................................................... 25
Figure 9 – Survey group’s view of uniqueness ............................................................. 25
Figure 10 – Survey group’s view of credibility ............................................................. 26
Figure 11 – Survey group’s intention to use the service .............................................. 26
Figure 12 – Survey group’s preferred method of accessing the service (all respondents)27
Figure 13 – Survey group’s preferred method of taking the discount ......................... 27
Figure 14 – The Advocacy Pyramid, Urban, G., Don’t Just Relate – Advocate!, Wharton
School Publishing, 2005, pp 12................................................................................. 34
Figure 15 – Preferred access method for both small business and casual consumers..... 37
Figure 16 - Preferred discount method ...................................................................... 38
Figure 17 - Innocentive ideation example .................................................................. 39
Figure 18 – The importance of Avg. $/transaction [A full system diagram is available in
the Business Model section of this report] ................................................................. 40
Figure 19 – Bill amount vs. gross profit (assumptions are in the Appendix under
Sensitivity Analysis) ................................................................................................. 41
Figure 20 – The importance of 3rd party endorsements [A full system diagram is available in the Business Model section of this report] ................................................................. 42
Figure 21 - Micronotes Business System Diagram ................................................................. 49
Figure 22 - Micronotes Business System ............................................................................... 50
Figure 23 – Acquisition rate causes.................................................................................. 51
Figure 24 – Attractiveness of Mnotes Causes .................................................................. 51
Figure 25 - Investment income causes ............................................................................... 52
Figure 26 – Avg. bill amount vs. gross profit (Underlying assumptions may be found in the appendix of this report under the heading Sensitivity Analysis Assumptions). ....... 55
Figure 27 – Variable cost vs. quarterly gross profit (Underlying assumptions may be found in the appendix of this report under the heading Sensitivity Analysis Assumptions). .............................................................................. 55
Figure 28 – Market penetration vs. quarterly gross profit (Underlying assumptions may be found in the appendix of this report under the heading Sensitivity Analysis Assumptions) ............................................................................. 56
Figure 29 – Maturity vs. quarterly gross profit (Underlying assumptions may be found in the appendix of this report under the heading Sensitivity Analysis Assumptions). ....... 56
Figure 30 – Interest rate vs. quarterly gross profit ............................................................ 57
Figure 31 – Thaler’s hypothetical value function................................................................... 58
Figure 32 – 10 quarter operating plan .................................................................................. 59
Figure 33 - Sources of Location-Based Competitive Advantage (Adapted from Porter, "Competing Across Locations" - Page 12) ......................................................................................... 60
Figure 34 – Lessard’s strategic analysis radar chart............................................................... 61
Figure 35 - Sources of Location-Based Competitive Advantage (Adapted from Porter, "Competing Across Locations" - Page 12) ......................................................................................... 64

Research Goals

The goal of this research was to determine if Micronotes, a start-up company based on an electronic bill-pay service that enables customers to prepay & discount their bills, is a viable business proposition. Here is how Micronotes works: On April 15th, a customer receives a $1,000 insurance bill due on May 15th. She enters the bill amount and due date into the Micronotes server, accessible via cell phone, handset, or the internet, and determines that the can pay Micronotes $996.12 today to settle that bill and Micronotes will pay her $1,000 bill, in full, on May 15th. Micronotes aggregates her $996.12 payment on April 15th with millions of other customer payments, and invests it into short-term, low-risk, institutional-grade securities which mature just before the due date of her bill; Micronotes then pays her $1,000 insurance bill on May 15th. The idea is to get people to think about paying bills incrementally earlier as a discount opportunity, rather than a burden to avoid – and by doing so, create perfect on-time payments for customers which will eliminate late fees, yield higher credit scores, and ultimately lower credit costs.
Another goal of this research was to understand how we will go about executing a business model to create value, and what might be the major drivers and obstacles to value creation.

Past work

Much of the past work reviewed was done in the context of a prior art search for the patent that was filed on 21 February 2008. Micronotes is a unique model insofar as “discount” bill-pay services do not appear to exist in the U.S. However, the idea of offering a discount for early payment certainly is an old practice and we wanted to look into any and all prior art which might have a bearing on our ability to practice or assert claims on the discount bill-pay idea.

Here is a prior art recital along with relevance to the Micronotes invention.

Prior Art: PCT/US01/08113 – claims a method for providing an on-line billing system comprising: retrieving customer invoice information that includes an invoice date and an invoice amount; calculating a discount amount based upon the invoice amount; and selectively receiving a payment input that authorizes a payment according to the calculated discount amount in advance of the invoice date. The current invention is distinct from prior art insofar as the present invention requires the acquisition of a financial instrument that increases in value with time prior to the debt obligation being due, and uses cash flows from the financial instrument to pay the debt obligation.

Prior Art: Patent 5,978,780 – claims a method of payment of bills of establishments by purchasers, comprising: providing a settlement exchange with billing information from establishments; calculating an obligation value for each purchaser; downloading the obligation value for each purchaser from the settlements exchange to a financial institution having an account for the purchaser; automatically instructing the financial institution to apply to the purchaser’s account, at least a portion of the obligation value; aggregating all of the obligation values that have been applied to purchaser’s accounts that are destined for the same establishments; and instructing the financial institutions to issue these credits to the establishment. The current invention is distinct from prior art insofar it involves a security and discount component which enables the system by providing customers with a motivation to use the system.

Prior Art: American Express Plum Card (available in the U.S. only as of 1 May 08): “NEW YORK, September 07, 2007 -- American Express OPEN today introduced The Plum Card a new trade terms Card that responds to small business owners' need to better manage cash flow and free up working capital. The Plum Card provides small business owners with flexible trade terms – the option to defer payment or receive early pay discounts for just about everything purchased with the Card... [http://home3.americanexpress.com/corp/pc/2007/plum.asp]”

Distinctions of present invention are indented below the following terms and conditions of the American Express Plum Card:
Annual Fee Late Payment Fees

The annual fees of $185 for the Basic Plum Card is waived for the first year of your membership.† Annual fees for additional Plum Cards are $0 for the first additional Plum Card and $45 for each additional Plum Card. Varies from state to state, from zero to the greater of $39 or 1.5% of the delinquent balance and $39 or 2.99% of the seriously delinquent balance.

The present invention involves no annual fees nor does it provide credit and in fact, one purpose of the present invention is to eliminate late fees by incentivizing early payment.

All charges made on this Charge Card are due and payable when you receive your billing statement.

The present invention does not provide credit.

† The first year annual fee is waived for new Card applicants only. If you transfer an existing account to the Plum Card, you are not eligible for the first year fee waiver.

Early Pay Discount: If payment in full of the New Balance on a billing statement is credited to your Account within ten (10) days after the Closing Date of the billing period covered by that billing statement, then you will receive an Early Pay Discount (“Discount”) on the amount of your Eligible Purchases (as defined below) made during the billing period covered by that statement as follows: You will receive a Discount of 1% if your Eligible Purchases during the billing period covered by that statement are less than or equal to $5,000, and you will receive a Discount of 2% if your Eligible Purchases during the billing period covered by that statement exceed $5,000. This Discount, if any, will be reflected as a credit on the billing statement for the next billing period. You will not be eligible to receive the Discount if on the Closing Date of the next billing period your Account is not active (cancelled) or your Account is in default. “Eligible Purchases” are Charges to your Account for goods and services made in the previous billing cycle that have not been returned or otherwise credited to your Account. Eligible Purchases do not include fees or the purchase of American Express Travelers Cheques or American Express Gift Cheques or other cash equivalents. Previously deferred payments are not eligible to receive an Early Pay Discount. If a credit is posted to your Account for a purchase, we will adjust the amount of Eligible Purchases at the time the credit is posted to your Account. If a Charge is in dispute, it will not be considered an Eligible Purchase until the dispute has been resolved and the Charge remains on the Account.

While the present invention provides a discount, the discount varies with the time value of money – not with the value of purchases -- does not involve extraction of money from the vendor to return to the credit card holder and does not accrue the discount but rather, renders it upon the first transaction.

Defer Pay Option: You may be eligible to defer payment of a portion of the New Balance on a billing statement. If you pay at least 10% of that New Balance (plus the entire amount of any previously deferred amounts) by the Please Pay By date on your billing statement, you may defer payment of the remainder of that New Balance until the Please Pay By date shown on your next billing statement. If you defer payment of any portion of that New Balance, and the remainder of that New Balance is not
credited to your Account by the Closing Date of the next billing period, we may assess late fees as described in the Late Fees section. Your Account must be in good standing and active (not cancelled) in the month in which you exercise the Defer Pay Option.

The present invention does not typically function after the due date of the debt.

Automatic Bill Payment: Check with your service provider regarding specific policies on using your Card for automatic payment. Card payment may not be available for all service providers in all markets. Participating partners subject to change. In some instances, it may take more than one billing cycle before initial paid amounts are posted to your Card account. Please remember to cancel those payments with your service provider if you close your Card account, and advise your service provider if your Card account changes.

The present invention does not involve paying a debt with another debt.

I also looked into PayPal, Western Union, and Checkfree, though primarily to understand the regulations to which Micronotes may need to comply. Paypal and Western Union offer prepaid cards but neither appear to offer prepay discounts of any sort.

Project Design

The first goal was to understand how many customers might be interested in a discount bill-pay service. The approach was to understand what people thought about the bill paying process, which was accomplished through 19 face-to-face interviews. Based upon the results from these qualitative surveys, we designed a concept test to gather the reactions of (190) 35+ year-old women, 90 of which were casual consumers with a household income >$75K/year and the balance of 100 were small business owners; a specification that was derived from the qualitative survey results. Based upon the survey responses, we could determine whether the consumer or small business market was more attractive, and we could estimate market size. One of our survey questions asked, “Do you think Mnotes can deliver the value promised?” which was directed towards women’s views on the credibility of the concept and company; we were trying to understand to what extent an unknown company could pierce the trust barrier in this type of transaction.

I then looked into the trust component of this business insofar as, what would it take to earn and keep customer trust? I then researched the question of sustained innovation as a means of sustaining competitive advantage. Beyond innovation, we looked at a narrowly-scoped Micronotes business ecology to look for system level interactions which may benefit or harm the firm.

We then researched the questions, “Would this be a federal/state regulated business?” and “what, if any, are the tax consequences to Mnotes customers in using our service?” to determine what type of regulatory and tax environment the company would operate in.
Lastly, we looked at the business model, financial models, sensitivity analysis, market timing, the operating plan, international expansion, and routes to achieving liquidity for investors.

Data collection

- Qualitative interviews were conducted face-to-face, recorded, and transcribed.
- Concept testing was contracted through Greenfield Online (www.greenfield.com), a market research firm.
- Innovation research was conducted as part of course 15.352, Innovation in the Internet Age, taught by Professor Eric Von Hippel.
- The firm’s ecology was mapped using the principles and tools of system dynamics, course 15.871, Introduction to System Dynamics, taught by Professor Nelson Repenning.
- Legal and tax research was done in part via library research and in part by Stephen J. Coukos, Esq. & J. Thomas Price of Chu, Ring & Hazel, LLP, 49 Melcher Street, Boston, MA 02210 — a law firm.
- International expansion is discussed within the context of International Management, course 15.220, taught by Professor Don Lessard.

Results & Business Implications

Our results reveal that Micronotes (Mnotes) is an electronic bill-pay service that will enable 24.8 million U.S. small businesses to quickly, conveniently, and securely discount and pay any of the $5 trillion dollars in bills they pay annually via handset (figure 1) or internet (figure 2) and by connection with the institutional-grade money markets. Our market research suggests that 27% of the 7.7 million female-owned small businesses, our initial target market, would use the Mnotes service yielding $486B/year in short-duration investment volume for the firm. 13.3% target market penetration, or 320,155 customers are needed to reach break-even operations under present assumptions. We expect competitors to react by offering similar discount services but believe, by the time they do react, we will have achieved a unique place in the mind of the customer (e.g. Google=search, Volvo=safety) and a strong patent position from which to negotiate license agreements.

We expect the firm to be subject to a variety of federal and state regulatory statutes but do not expect a significant tax reporting burden for the firm. The firm will raise $1.5M in seed capital to launch the service and then raise $10MM in venture capital shortly thereafter to realize the firm’s full potential. We anticipate achieving liquidity by selling the firm to a bank, financial services firm, or internet retailer shortly after achieving sustainable profitable growth. Our founding management team consists of proven professional who have created significant enterprise value together in former technology companies. Like Capital One’s management team, we don’t all come from banking or finance.
Here is how M-notes works:

1. Access M-notes using your mobile device, internet - enrollment is secure and easy, and takes 5 minutes.

2. Select payee information from the menu.

3. Enter the bill amount and due date.

4. M-notes discounts the bill and returns it to you for payment in real-time

5. M-notes deducts your payment from your and accepts your obligation to pay.

6. Change your mind? You can always have your $1743.62 back up until 3-days before the bill’s due date.
Background

The idea for Micronotes came to me while sitting in a financial management class with Professor Andrew Lo. Professor Lo was introducing discount bonds which are purchased at a discount – rather than at face value with interest payments made periodically thereafter. Coming from a technology background, this was all new to me and I thought the whole idea of having a closed form solution for discounting securities, which is pedestrian by finance standards, was really cool. Moreover, I found discount bonds much easier to price and understand than coupon bonds, which had the complexities of coupon payments, changing discount rates, and compounding interest. It occurred to me that if I was a trained in the hard sciences and was now at MIT studying finance – and I found it easier to understand the value of a simple discount as opposed to calculating the effective annual interest rate associated with any particular annual percentage rate and compounding frequency, the same must be true for the average nonfinancial person. Shortly thereafter, I landed upon the idea of using the discount bond pricing method to discount people’s bills by selling microsecurities, or micronotes, to people who wanted to pay their bills, with a discount, in advance of their due date. In other words, it’s easier for the most people to understand the difference between paying $1,000 versus $996.12 than it is to understand the difference between 3.8% APR and 4.2% APR on their average daily balance in their checking account; don’t you think?

However, are we not just competing with bank interest rates in the end? The answer is, strangely, “no.” The timely payment of debt obligations is a necessary part of any functioning economy. However, other principles drive financial life including:

- There is no free lunch
- All else being equal, we prefer:
  - More money to less money (non-satiation)
  - Money now vs. later (impatience)
  - To avoid risk (risk-aversion)
- We act in our own self-interest
- Prices shift to equalize supply and demand
Financial markets are highly adaptive and competitive

Risk-sharing and frictions are central to financial innovation.

The principles of impatience and self-interest create what is called the time value of money. That is, people are willing to wait for their money only if they have an interest in doing so – hence, the creation of interest payments. These principles create friction at the interface between debtor and the creditor insofar as the debtor is paid interest for holding on to her money as long as possible while the creditor is left to devise penalties for late payment to counteract the debtor’s interests in delaying payment. For example, people will – for a variety of reasons – mail a credit card bill late only to find a late fee on their next bill which exceeds the time value of that money by several hundred times. Some charges go through, others are contested but – either way – debtors, and creditors, to a lesser extent, lose money, time, and credit scores in the process of haggling. In the course of interviewing 19 consumers, I discovered that most people detest paying bills and that sentiment combined with people’s penchant for holding on to their money until the last possible moment combines to yield significant losses, in the form of late fees and credit costs, for consumers and small businesses. I exclude larger firms because they have the financial sophistication to manage their debt payments efficiently and are likely to take advantage of prepay discounts.

Ideally, people would pay their bills on-time and there wouldn’t be any need for late fees or time spent haggling over such fees. But, they don’t — as evidenced here, “According to R.K. Hammer Investment Bankers, a California credit card consulting firm, banks collected $14.8 billion in penalty fees last year [2004], or 10.9 percent of revenue, up from $10.7 billion, or 9 percent of revenue, in 2002, the first year the firm began to track penalty fees.” [http://www.washingtonpost.com/ac2/wp-dyn/A10361-2005Mar5?language=printer] Moreover, my survey data suggests that there isn’t much difference in late charge experience, in any, between people who report paying their bills early versus those who report that they pay bills only when they have the money to pay those same bills. Why do the people who have the money to pay their bills report any problems around late fees? The explanation is that people find the process of paying bills tedious and distasteful and couple that with people’s interest in holding onto money as long as possible and the result is procrastination, which leads to late charges, haggling, and compromised credit scores — at least. The incentives of the actors in this system are such that late charges, haggling, and compromised credit scores are a perpetual reality within the system, depicted below.
Check-writing, boredom, tedium, dislike of the process and paying out money, lack of motivation to pay early

Increased time, costs, and lowered credit scores

Conflict around late payment or early payment due to credit fears and costs

Lost bills and late charges

Fast, secure, easy to use interface that rewards early payment

Motivation to pre-pay

Decreased time, costs, and higher credit scores — more reliable cash flows to vendors

Fewer lost bills and no late charges

Greatly reduced conflict with creditors

Figure 3 - Incentives in the existing bill-pay system

Figure 4 - Incentives in the Micronotes bill-pay system
Returning to the question, are we not just competing with bank interest rates in the end? If the banks increase interest rates, which – assuming Bank of America has a 25% market share, have a weighted average of about 0.75% APR (see Bankrate.com figure below for Boston area interest checking accounts), they are effectively reinforcing the system to remain unstable at the point of payment; that is, people will be even more incentivized to pay at the last moment – leading to late charges which, at $38 – vastly exceed the time value of money held for an extra day or two.

<table>
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<th>INSTITUTION</th>
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<tr>
<td>E*TRADE Bank</td>
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</tr>
<tr>
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<td>0.05</td>
</tr>
<tr>
<td>Bank of America</td>
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</tr>
</tbody>
</table>

Figure 5 - BankRate.com checking account interest rates for Boston-area banks on 1 May 08

This was my departure point for the Micronotes business plan.
Testing Assumptions

It seems to me that in order for Micronotes to be successful, a few assumptions must hold:

1. Micronotes needs to help customers get a job done better, faster, and cheaper than the way they are doing that job now.
2. Potential customers must be able to understand how to use the service and its value proposition quickly and easily.
3. Potential customers need to have the money available to pay bills in advance of their due date.
4. The service needs to be able to deliver on the stated value proposition with greater reliability than current bill-pay services.

Below, we examine each of these assumptions in some detail:

What job are people trying to get done and what are the obstacles?
We interviewed 19 bill-payers in and around Boston, all were over 35 year of age and many were professional, though a few were not; our goal was to explore people's views on bill paying to try and understand what people were trying to do, and the obstacles in getting that work done. Below are the results of those interviews and transcripts for 17 of these interviews appear in the appendix1.

Here were the questions asked:

1. Can you tell me about your worst experience paying bills? What happened and why did it bother you so?
2. When you think about paying bills, what images come to mind?
   • If I ask you to step into the picture, can you tell me what you see around you?
     o What are you doing?
     o What are you thinking?
     o What are you feeling?
3. Some people pay bills with personal checks, others through direct withdraw, and still others with differing forms of credit and electronic bill pay services. Can you describe how you pay bills and have you ever had difficulty with the mechanics of paying bills?
4. Thinking about when you pay your routine bills, do you usually pay long in advance, around the time they are due, and after their due date? Can you describe why you pay when you do – what are your motivations?
5. Are you satisfied with the current way you pay bills to these companies/entities? If so, why? If not, why not?
6. What do you look for in a company/resource to assist you with paying your bills?
7. Do you think that if your service providers (e.g. rent, phone, internet, insurance) offered you a small discount for paying your bills before their due date, that you would take advantage of these discounts?

---

1 The last 2 interviews were not transcribed because the results were similar to previous interviews.
8. Please tell me about the best customer rewards program in which you've actively participated or wanted to participate? What made it the best?

Here is what we learned in these interviews:

- Most problems related to late charges and mail problems.
- Most images relate to actual checking writing and boredom.
- People reported a broad range of thoughts and feelings ranging from fear to boredom to indifference.
- Everyone uses some paper checks, most are still primarily paper-based, internet bill-pay is attractive to the majority.
- Most people report paying early, followed by due date and cash inflow motivations.
- About ⅔ are dissatisfied with some aspect of their current bill paying process.
- Most would or are inclined to prepay and discount – most of the rest are unsure.
- The majority are focused on a secure on-line experience, ease-of-use comes next.

We digitized the results, meaning that we categorized the responses and then placed a 1 or a 0 in each category depending upon how people answered, and used a matched pair analysis technique to look for correlations between data pairs. Even given the limited data set and comparatively imperfect correlation coefficients (Cov(X,Y)/Sig X * Sig Y <<< 0.94), I assert that woman are more likely to use this service to get their bills paid quickly, securely, and with a discount; and they appear to want some sort of report.

First, however, I checked the validity of the analysis method – which revealed the following:

Correlation between on-line users and mail related problems = - 0.35 (negative correlation makes sense: no letters, no mail problems)

Correlation between paper check based users and mail related problems = + 0.40 (positive correlation makes sense here, mailing bills = higher probability of mail-related problems)

Below are the remaining data pairs that I looked at along with their correlation coefficient:

- On-line payers vs. satisfaction: - 0.15
- Paper-based check writers vs. satisfaction: + 0.22
- On-line payers vs. need for security: - 0.4
- Paper-based check writers vs. need for on-line security: + 0.4
- Males vs. Yes, I’d take a small discount for paying early: - 0.49
- Females vs. Yes, I’d take a small discount for paying early: + 0.49
- Paper-based check writers vs. “late payment” as the worst experience: 0
- On-line payers vs. “late payment” as the worst experience: 0.11
• Paper-based check writers vs. “boredom” as primary image that comes to mind around bill paying: 0.05 (essentially zero)
• On-line payers vs. “boredom” as primary image that comes to mind around bill paying: 0.01 (again, essentially zero)
• Female vs. on-line payers: - 0.06 (essentially zero)
• Female vs. paper-based check writers: - 0.025 (essentially zero)
• Female vs. looking for speed in an on-line service: + 0.19
• Female vs. looking to leverage existing banking relationship when going on line: - 0.44
• Female vs. looking for security in on-line bill pay: +0.16
• Female vs. looking for looking for on-line bill pay to provide reports: + 0.28
• Female vs. looking for looking for on-line bill pay to be easy to use: - 0.25
• People reporting that they pay their bills early vs. “late payment” as the worst experience: - 0.124

Further evidence to support a female target market is found in the analysis of Jupiter Research/ipsos-Insight Individual Internet User Survey (7/06), n = 4,182.[ (US only) Lead Data Analysts: Corina Matiesanu, Amanda Guzman]

Here, I employed the chi-squared method of analysis to check a number of null hypotheses which appear below, along with the result:

<table>
<thead>
<tr>
<th>Sample</th>
<th>952</th>
</tr>
</thead>
<tbody>
<tr>
<td>Searched for or used online coupons</td>
<td>Ei</td>
</tr>
<tr>
<td>Male</td>
<td>476</td>
</tr>
<tr>
<td>Female</td>
<td>476</td>
</tr>
<tr>
<td>Sum</td>
<td></td>
</tr>
<tr>
<td>C=</td>
<td></td>
</tr>
</tbody>
</table>

Table 1 - On-line women have a greater tendency to search for online coupons as do men

<table>
<thead>
<tr>
<th>Sample</th>
<th>2088</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid a bill online</td>
<td>Ei</td>
</tr>
<tr>
<td>Male</td>
<td>1044</td>
</tr>
<tr>
<td>Female</td>
<td>1044</td>
</tr>
<tr>
<td>Sum</td>
<td></td>
</tr>
<tr>
<td>C=</td>
<td></td>
</tr>
</tbody>
</table>

Table 2 - On-line men have the same tendency to pay a bill online as women
### Table 3 - On-line men have the same tendency to conduct online personal banking as women

<table>
<thead>
<tr>
<th>Sample</th>
<th>1928</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Conducted online personal banking (e.g., account transfer, check balances, etc.)</td>
<td>Ei</td>
<td>Ai</td>
</tr>
<tr>
<td>Male</td>
<td>964</td>
<td>1009</td>
</tr>
<tr>
<td>Female</td>
<td>964</td>
<td>919</td>
</tr>
<tr>
<td>Sum</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C=</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

On-line men have the same tendency to conduct online personal banking as women

### Table 4 - On-line who started a business are equally likely to have paid a bill on-line as those who didn’t start a business

<table>
<thead>
<tr>
<th>Sample</th>
<th>4182</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid a bill online</td>
<td>Ei</td>
<td>Ai</td>
</tr>
<tr>
<td>Entrepreneurs</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>Others</td>
<td>2,579</td>
<td>2,088</td>
</tr>
<tr>
<td>Sum</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C=</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

On-line who started a business are equally likely to have paid a bill on-line as those who didn’t start a business

### Table 5 - Online who started a business are equally to be men as women

<table>
<thead>
<tr>
<th>Sample</th>
<th>141</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Started a business</td>
<td>Ei</td>
<td>Ai</td>
</tr>
<tr>
<td>Men</td>
<td>70.5</td>
<td>84</td>
</tr>
<tr>
<td>Women</td>
<td>70.5</td>
<td>57</td>
</tr>
<tr>
<td>Sum</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C=</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Online who started a business are equally to be men as women
At this point, we knew that people were trying to pay their bills on-time but the combination of a nearly universal hatred of the bill-paying process, which leads to procrastination, which, when coupled with mail delivery and cash flow problems, ultimately leads to late charges and hassles with creditors. We also had a strong sense that women were more inclined towards a practical discount model than men, and entrepreneurs are more likely to take pay bills on-line than others.

Armed with this information, we conducted a concept test with 100 female small business owners and 90 female consumers with a household income > $75K/year; all over age 35. We chose these specifications to test the following hypotheses:

- Older and more affluent people were more likely to have the cash flow needed to effectively use Micronotes.
- Small business owners, who are more likely to pay bills on-line and deal with larger bills and correspondingly and qualitatively larger discounts, will find the service more attractive than casual consumers.

Below are the concept tests, delivered via internet, viewed by the two survey groups (small business owners and casual consumers):

### Table 6 - Online who started a business are equally likely to have a household income of more than $60K than less than $60K/year

<table>
<thead>
<tr>
<th>Sample</th>
<th>141</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entrepreneurs with &gt;$60K household income</td>
<td>71</td>
<td>66</td>
<td>0.29</td>
<td></td>
</tr>
<tr>
<td>Entrepreneurs with &lt;$60K household income</td>
<td>71</td>
<td>76</td>
<td>0.43</td>
<td></td>
</tr>
<tr>
<td>Sum</td>
<td>148</td>
<td></td>
<td>0.72</td>
<td></td>
</tr>
<tr>
<td>C=</td>
<td>5.99</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 6 - Online who started a business are equally likely to have a household income of more than $60K than less than $60K/year

### Table 7 - Online who started a business are twice as likely to be over age 35

<table>
<thead>
<tr>
<th>Sample</th>
<th>141</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 35</td>
<td>94</td>
<td>98</td>
</tr>
<tr>
<td>Under 35</td>
<td>47</td>
<td>44</td>
</tr>
<tr>
<td>Sum</td>
<td>141</td>
<td></td>
</tr>
<tr>
<td>C=</td>
<td>5.99</td>
<td></td>
</tr>
</tbody>
</table>

Table 7 - Online who started a business are twice as likely to be over age 35
[For small business owners]
M-notes is your money manager bill-pay service, at your finger tips: by mobile device, in hand. What would a few dollars off of every monthly bill you have to pay mean to you? Enjoy the benefits of pre-paying business expenses and bills, while accessing institutional-grade short-term interest rates. Turn these savings into cash-flow you can invest. It’s free and smart business.

[For casual consumers]
M-notes is your money manager bill-pay service, at your finger tips: by mobile device, in hand. What would a few dollars off of every monthly bill you pay mean to you? Enjoy the benefits of pre-paying and discounting all your bills by accessing institutional-grade short-term interest rates. It’s free, simple and smart.

Here is how M-notes works:

1. Access M-notes using your mobile device, internet - enrollment is secure and easy, and

2. Select payee information from the menu.

3. Enter the bill amount and due date.

4. M-notes discounts the bill and returns it to you in real-time

5. M-notes deducts your payment from your account and accepts your obligation to pay.

6. Change your mind? You can always have your money back up until 3-days before the bill’s due date.

Sign Up

Select who you want to pay:

Input your payment amount: 1,750.00
When is your payment due: 2/14/2008

You can pay this discounted amount today $1,743.63

Pay this bill

Hold this amount $1,743.63
Why M-notes?

[For small business owners]

1. As a small business owner, you need every dollar to work for you. M-notes enables you to earn savings from your bills.
2. Time is money. Our safe, convenient, responsible bill-pay system allows you to execute a payment anywhere, any time.
3. Access immediate dividends from your bills that you can invest or save.

[For casual consumers]

1. M-notes incentivizes early payment of every bill: receive it, discount it, forget it – Mnotes ensures perfect payment clear of late fees, creditor hassles, and credit score mishaps.
2. Time is money. Our safe, convenient, responsible bill-pay system allows you to execute a payment anywhere, any time.
3. Access immediate dividends from your bills that you can invest or save.

M-notes on Mobile Devices
Would you value saving a few dollars and some time on each bill?  

Does M-notes seem different and better than the way you pay bills now?  

Do you think M-notes can deliver the value promised?  

Would you use M-notes to pay some bills  

<table>
<thead>
<tr>
<th>Cell Phone</th>
<th>Computer - Internet</th>
<th>Handset - Internet</th>
<th>Telephone</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If you'd use M-notes, which method would you probably use to access the service?  

<table>
<thead>
<tr>
<th>I'll take the discount immediately</th>
<th>Save to discount future bills</th>
<th>Save and redeem easily for cool stuff</th>
<th>Save &amp; Convert to Airline Miles</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Would you prefer to take the M-notes discount immediately, or have it saved and invested for you?

Submit
Broadly, here is who people were and what they said:

1. Of the casual consumer group, about ½ were employed with a firm and the other half were either homemakers or retirees.
2. A little less than ¾ of the people asked would value saving some time and money off of each bill.
3. Most people think that Mnotes is probably or definitely different and better than the way they currently pay bills.
4. Most people believe that the Mnotes business model is credible.
5. A little less than ½ of respondents would probably or definitely use the service.
6. The overwhelming majority would access the service via internet, followed by telephone service and cell phone.
7. The majority of respondents would use the service as intended and take the discount immediately, about 1/3 would save the money to discount future bills.

Exact figures and charts corresponding to each of the statements above follow:

![Pie Chart - Employment Demographics](image)

**Figure 7 – Survey group’s employment demographics**
Would you value saving a few dollars and some time on each bill?

Definitely Yes 24%
No 16%
Probably No 13%
Probably Yes 47%

Figure 8 – Survey group’s view of value

Does M-notes seem different and better than the way you pay bills now?

Definitely Yes 15%
No 22%
Probably Yes 40%
Probably No 23%

Figure 9 – Survey group’s view of uniqueness
Do you think M-notes can deliver the value promised?

- Definitely Yes: 7%
- No: 14%
- Probably No: 21%
- Probably Yes: 58%

Figure 10 – Survey group’s view of credibility

Would you use M-notes to pay some bills?

- Definitely Yes: 8%
- No: 27%
- Probably Yes: 38%
- Probably No: 27%

Figure 11 – Survey group’s intention to use the service
Next, I wanted to see if chi-squared testing could detect any statistically significant differences between female consumers and female small business owners. The results, which appear in the tables below, suggest that overall – the two groups are remarkably similar in their attitudes toward the Micronotes concept with one significant difference, female consumers are more likely to save to discount future bills than female business owners. This makes sense to me insofar as business people will view Micronotes more pragmatically, as a means of cutting expenses, than consumers. Along this same line,
the data also points towards consumers being more likely to adopt non-cash means of taking the discount.

Below are the results of the Chi-squared testing:

<table>
<thead>
<tr>
<th>Sample</th>
<th>190</th>
<th></th>
<th>(Ei-Ai)^2/Ei</th>
</tr>
</thead>
<tbody>
<tr>
<td>Answered &quot;probably yes&quot; or “definitely Yes” to the question, “Would you value saving a few dollars and some time on each bill paid using Mnotes?”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Casual Consumers (67 out of 90)</td>
<td>67</td>
<td>67</td>
<td>0</td>
</tr>
<tr>
<td>Business Owners (67 out of 100)</td>
<td>74</td>
<td>67</td>
<td>0.74</td>
</tr>
<tr>
<td>Sum</td>
<td></td>
<td>0.74</td>
<td></td>
</tr>
<tr>
<td>C=</td>
<td></td>
<td>3.84</td>
<td></td>
</tr>
<tr>
<td>Female consumers, with Household income &gt;75K, place the same value on a small discount and time savings as do female business owners</td>
<td>Accept</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 8 - Female consumers, with Household income >75K, place the same value on a small discount and time savings as do female business owners

<table>
<thead>
<tr>
<th>Sample</th>
<th>190</th>
<th></th>
<th>(Ei-Ai)^2/Ei</th>
</tr>
</thead>
<tbody>
<tr>
<td>Answered &quot;probably yes&quot; or “definitely Yes” to the question, “Does M-notes seem different and better than the way you pay bills now?”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumers (50 out of 90)</td>
<td>50</td>
<td>50</td>
<td>0</td>
</tr>
<tr>
<td>Business Owners (54 out of 100)</td>
<td>56</td>
<td>54</td>
<td>0.04</td>
</tr>
<tr>
<td>Sum</td>
<td></td>
<td>0.04</td>
<td></td>
</tr>
<tr>
<td>C=</td>
<td></td>
<td>3.84</td>
<td></td>
</tr>
<tr>
<td>Female consumers see Mnotes as equally unique as do female business owners</td>
<td>Accept</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 9 - Female consumers see Mnotes as equally unique as do female business owners

<table>
<thead>
<tr>
<th>Sample</th>
<th>190</th>
<th></th>
<th>(Ei-Ai)^2/Ei</th>
</tr>
</thead>
<tbody>
<tr>
<td>Answered &quot;probably yes&quot; or “definitely Yes” to the question, “Do you think M-notes can deliver the value promised?”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumers (64 out of 90)</td>
<td>64</td>
<td>64</td>
<td>0</td>
</tr>
<tr>
<td>Business Owners (60 out of 100)</td>
<td>71</td>
<td>60</td>
<td>1.74</td>
</tr>
<tr>
<td>Sum</td>
<td></td>
<td>1.74</td>
<td></td>
</tr>
<tr>
<td>C=</td>
<td></td>
<td>3.84</td>
<td></td>
</tr>
<tr>
<td>Female consumers see Mnotes as equally credible as do female business owners</td>
<td>Accept</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 10 - Female consumers see Mnotes as equally credible as do female business owners
Table 11 - Female consumers are equally likely to use Mnotes as female business owners

<table>
<thead>
<tr>
<th>Sample</th>
<th>190</th>
<th>( \frac{(E_i - A_i)^2}{E_i} )</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Answered &quot;probably yes&quot; or &quot;definitely Yes&quot; to the question, &quot;Would you use M-notes to pay some bills?&quot;</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumers (38 out of 90)</td>
<td>38</td>
<td>38</td>
</tr>
<tr>
<td>Business Owners (50 out of 100)</td>
<td>42</td>
<td>50</td>
</tr>
<tr>
<td><strong>Sum</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C=</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Female consumers are equally likely to use Mnotes as female business owners</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 12 - Female consumers are equally likely to prefer cell phone access as female business owners

<table>
<thead>
<tr>
<th>Sample</th>
<th>190</th>
<th>( \frac{(E_i - A_i)^2}{E_i} )</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Answered &quot;Cell Phone&quot; to, &quot;If you'd use M-notes, which method would you probably use to access the service?&quot;</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumers (6 out of 90)</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Business Owners (5 out of 100)</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td><strong>Sum</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C=</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Female consumers are equally likely to prefer cell phone access as female business owners</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 13 - Female consumers are equally likely to prefer internet access as female business owners

<table>
<thead>
<tr>
<th>Sample</th>
<th>190</th>
<th>( \frac{(E_i - A_i)^2}{E_i} )</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Answered &quot;Internet&quot; to, &quot;If you'd use M-notes, which method would you probably use to access the service?&quot;&quot;</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumers (84 out of 90)</td>
<td>84</td>
<td>84</td>
</tr>
<tr>
<td>Business Owners (77 out of 100)</td>
<td>93</td>
<td>77</td>
</tr>
<tr>
<td><strong>Sum</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C=</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Female consumers are equally likely to prefer internet access as female business owners</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Table 14 - Female consumers are equally likely to prefer handset access as female business owners

<table>
<thead>
<tr>
<th>Sample</th>
<th>190</th>
<th>Ei</th>
<th>Ai</th>
<th>((E_i - A_i)^2/E_i)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers (1 out of 90)</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>(0.01)</td>
</tr>
<tr>
<td>Business Owners (1 out of 100)</td>
<td>1</td>
<td>1</td>
<td>0.01</td>
<td></td>
</tr>
<tr>
<td>Sum</td>
<td>0.01</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C=</td>
<td>3.84</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Female consumers are equally likely to prefer handset access as female business owners  

**Table 15 - Female consumers are equally likely to prefer telephone access as female business owners**

<table>
<thead>
<tr>
<th>Sample</th>
<th>190</th>
<th>Ei</th>
<th>Ai</th>
<th>((E_i - A_i)^2/E_i)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers (9 out of 90)</td>
<td>9</td>
<td>9</td>
<td>0</td>
<td>(0)</td>
</tr>
<tr>
<td>Business Owners (7 out of 100)</td>
<td>10</td>
<td>13</td>
<td>1.09</td>
<td></td>
</tr>
<tr>
<td>Sum</td>
<td>1.09</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C=</td>
<td>3.84</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Female consumers are equally likely to prefer telephone access as female business owners  

**Table 16 - Female consumers are equally likely to prefer to take the discount immediately as female business owners**

<table>
<thead>
<tr>
<th>Sample</th>
<th>190</th>
<th>Ei</th>
<th>Ai</th>
<th>((E_i - A_i)^2/E_i)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers (53 out of 90)</td>
<td>53</td>
<td>53</td>
<td>0</td>
<td>(0)</td>
</tr>
<tr>
<td>Business Owners (56 out of 100)</td>
<td>59</td>
<td>56</td>
<td>0.14</td>
<td></td>
</tr>
<tr>
<td>Sum</td>
<td>0.14</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C=</td>
<td>3.84</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Female consumers are equally likely to prefer to take the discount immediately as female business owners
Sample | 190 |   | (Ei-Ai)^2/Ei |
|-------|-----|---|----------------|

<table>
<thead>
<tr>
<th></th>
<th>Ei</th>
<th>Ai</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers (35 out of 90)</td>
<td>35</td>
<td>35</td>
<td>0</td>
</tr>
<tr>
<td>Business Owners (23 out of 100)</td>
<td>39</td>
<td>23</td>
<td>6.49</td>
</tr>
<tr>
<td>Sum</td>
<td></td>
<td></td>
<td>6.49</td>
</tr>
<tr>
<td>C=</td>
<td></td>
<td></td>
<td>3.84</td>
</tr>
</tbody>
</table>

Female consumers are equally likely to save to discount future bills as female business owners

Table 17 - Female consumers are more likely to save to discount future bills as female business owners

Sample | 190 |   | (Ei-Ai)^2/Ei |
|-------|-----|---|----------------|

<table>
<thead>
<tr>
<th></th>
<th>Ei</th>
<th>Ai</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers (9 out of 90)</td>
<td>9</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>Business Owners (5 out of 100)</td>
<td>10</td>
<td>5</td>
<td>2.50</td>
</tr>
<tr>
<td>Sum</td>
<td></td>
<td></td>
<td>2.50</td>
</tr>
<tr>
<td>C=</td>
<td></td>
<td></td>
<td>3.84</td>
</tr>
</tbody>
</table>

Female consumers are equally likely to save and redeem easily for cool stuff as female business owners

Table 18 - Female consumers are equally likely to save and redeem easily for cool stuff as female business owners, though business owners may be less likely to do so.

Sample | 190 |   | (Ei-Ai)^2/Ei |
|-------|-----|---|----------------|

<table>
<thead>
<tr>
<th></th>
<th>Ei</th>
<th>Ai</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers (9 out of 90)</td>
<td>19</td>
<td>19</td>
<td>0</td>
</tr>
<tr>
<td>Business Owners (7 out of 100)</td>
<td>19</td>
<td>13</td>
<td>1.71</td>
</tr>
<tr>
<td>Sum</td>
<td></td>
<td></td>
<td>1.71</td>
</tr>
<tr>
<td>C=</td>
<td></td>
<td></td>
<td>3.84</td>
</tr>
</tbody>
</table>

Female consumers are equally likely to prefer internet access as female business owners

Table 19 - Female consumers are equally likely to prefer internet access as female business owners
Summarily, the hypothesis that small business owners, who are more likely to pay bills on-line and who deal with larger bills and correspondingly larger discounts, will find the service more attractive than casual consumers is not supported by the response data. Rather, the two groups are more similar than they are different.

Moreover, about twice as many people said Mnotes was definitely different and better than what they currently do than would definitely use Mnotes, suggesting a credibility gap. As one would expect, those who said they didn’t believe Mnotes could deliver the value promised were unlikely to use the service (correlation coefficient = 0.74) and the converse was true with those who thought Mnotes could deliver the value were likely to use the service (correlation coefficient = 0.57). Interestingly, that means that Mnotes may be able to expand the total available market with demonstrated credibility.

Even though the only significant difference we saw between female small business owners and casual consumers was the method of taking the discount, our tactical business plan is to focus on small businesses, and particularly on women-owned small businesses because:

1. Small businesses spend nearly 4 times as much per year as households earning >$75K/year.
2. Small businesses are more inclined to pay bills on line than consumers (recall table 4).
3. Female business owners are the economic buyers in the sale process and are more inclined to use a service offering a discount.

2 A sentiment echoed by Sonal Gandhi of Jupiter Research, “In fact, online decision makers for businesses with fewer than five employees are not that different from average online users...” (Understanding Online Small Businesses, Jupiter Research, Volume 2, 2006).
3 U.S. Dept. of Labor, report 998, Feb 2007 – the fourth quintile of U.S. consumers earns an average of $67,813/year (approximately $75K) and spends 80% of the income ($54,354/year). The 24.8 million U.S. small business spent close to $5 trillion in 2005 (Jupiter Research, MARKET PROFILE, Understanding Online Small Businesses, Volume 2, 2006) which is an average of $202K/small business per year.
That said, the market for Micronotes in the U.S., based on a female-owned small business market where the economic buyer is female, is $486B and calculated as follows:

<table>
<thead>
<tr>
<th>US Small Business Only</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Business spending</td>
<td>$5,000,000,000,000 per year</td>
</tr>
<tr>
<td>Number of Small businesses on line</td>
<td>24,833,000 small businesses</td>
</tr>
<tr>
<td>Average business spending</td>
<td>$201,345 $/year/business</td>
</tr>
<tr>
<td>Number of female-owned small business</td>
<td>7,700,000 businesses (assumes 100% on line)</td>
</tr>
<tr>
<td>Percent of female owned small businesses that would use Micronotes</td>
<td>31% 90% of &quot;definitely&quot; + 50% of &quot;probably&quot;</td>
</tr>
<tr>
<td>Total number of female owned business who would use Mnotes &quot;Target Segment&quot;</td>
<td>2,412,667 # of businesses</td>
</tr>
<tr>
<td>Total amount of bills paid by &quot;target segment&quot;</td>
<td>485,778,332,595 $/year</td>
</tr>
<tr>
<td>Bills paid by target segments every 14 days</td>
<td>18,632,593,579 per 14 day maturity period</td>
</tr>
<tr>
<td>% Bills Discountable</td>
<td>100% Fraction</td>
</tr>
<tr>
<td>% Responding &quot;Definitely Yes&quot; to &quot;Would you use M-notes to pay some bills?&quot;</td>
<td>9% Fraction</td>
</tr>
<tr>
<td>Assumed % of &quot;Definitely Yes&quot; that will actually use MNotes</td>
<td>90% Fraction</td>
</tr>
<tr>
<td>% responding &quot;Probably Yes&quot; to &quot;Would you use M-notes to pay some bills?&quot;</td>
<td>47% Fraction</td>
</tr>
<tr>
<td>Assumed % of &quot;Probably Yes&quot; that will actually use MNotes</td>
<td>50% Fraction</td>
</tr>
</tbody>
</table>

Table 20 – Market size

Assumptions in the table above:

1. There are 24.8MM U.S. small businesses, using the 2005 figure.
2. Women-owned small business represent 30% of U.S. Small businesses (imperfectly dividing the 2007 figure of 7.7MM by the 2005 24.8MM figure)4
3. According to a recent release from market intelligence firm, BIGresearch and SAM'S CLUB, the top ten are: 1. Health Insurance (43.1%) 2. DSL/Broadband Internet (35.9%) 3. Cellular Phones (33.9%) 4. Business Energy (31.7%) 5. Advertising (22.2%) 6. Accounting Services (16.9%) 7. Voice mail (12.8%) 8. Dial-up Internet Service (11.8%) 9. Financial Planning Services (8.3%) 10.

4 “Women-owned businesses continue to grow in number and economic influence. Privately-held businesses in which women are majority owners — 7.7 million firms — are growing in number at twice the national average, employ more than 7.1 million people and generate $1.1 trillion in sales.” Tami Longaberger, Chair, National Women’s Business Council, National Women’s Business Council Annual Report, 2007.
Collection Services (7.8%). Essentially all of these bills are payable via Mnotes, including those charged by credit card.

4. Business spending is $5 trillion in total (not including payroll and investment in fixed assets) divided by 24.8MM businesses. Using Mnotes for pay for investments and payroll would represent an upside to the market forecast.

5. The fraction of respondents that we are counting as buyers is, 90% of those responding “Definitely Yes” to the purchase intent questions, and 50% of those responding “Probably Yes” in the course of the concept test.

6. The total available market is the amount of investment cash flow per year; that is, if we summed all the cash outflows that we would pay to vendors on behalf of our customers in any given year, it would total this amount.

Summarily, based upon the data before us, we have a $486B U.S. market for a unique discount bill-pay business. Moreover, we anticipate that a partial payment credit business opportunity will arise (e.g. I can only prepay 90% my bill now and I’d like to borrow the remaining 10% from you on credit) and we will need a well-thought out strategy to convert paper bill payers into Mnotes customers.

Building Trust
Trust takes a long time to build and only an instant to lose.

Glen Urban’s depiction of the building blocks and structure to engender trust is sensible and fully consistent with my personal values and way of doing business. Personally, I detest defective products and services and view their delivery as manifest incompetence. Customer satisfaction looks like a customer experience that cuts the bill-paying process time by an order of magnitude, delivers a
consistent discount or dividend, and is so reliable that the customer never even thinks about Micronotes after the bill is paid, aside from recommending our service to a friend as, “the simplest, easiest, fastest, and cheapest way to pay bills.” Relationship marketing looks like marketing that slightly undersells Micronotes, enabling us to consistently exceed new customer expectations.

Quality
Micronotes, like any start-up firm, will need to persuade potential customers that we will settle their debts in full and on-time. Consequently, Micronotes will employ a world-class quality executive from the start to engineer the firm’s operations to achieve world-class error rates. According to Paypal’s SEC filings, “PayPal processed an average of approximately 1.96 million transactions per day during the year ended December 31, 2007.” Consequently, an error rate of 1 part per million would produce about 2 mistakes per day, or 360 systematically dissatisfied customers per year. We will engineer Micronotes operations through the use of a strategic plan of quality control and rigorous testing to achieve error rates of less than 1 part per billion, or less than 1 systematically dissatisfied customer/year. By documenting this level of quality, and seeking 3rd party recognition of this level of quality, we will shorten the time to achieve credibility with potential customers.

Moreover, consistent with the type of people that Micronotes will employ, we will continuously improve ourselves and our business.

Character
Beyond demonstrated superior competence based in error rates of < 1 part per billion, Micronotes will project an image of who we are as people, that is – highly competent and compassionate people who tell the truth and keep our promises. Here is what this will look like to all our customers, employees, stake and shareholders.

- We will advocate for our customers with full, honest, and unbiased information. For example, if a customer claims to be earning 5% on their checking account, and has never had a late charge, and we are only able to discount to an interest equivalent of 4%, all else being equal, we will advise the customer to forgo Micronotes for their existing service provider. Given the volume of anticipated transactions, however, this will require an automated advisor to answer most customer questions. We will further ensure that our employee incentive systems are not at cross-purposes to building customer trust.
- We will invest more, over the long-run, in product development and quality than advertising. This will be manifest in our operating expenses. Without a superior customer experience and word of mouth marketing, we won’t be able to profitably grow the business.
- We will continually create value in the eye of the customer through user-based innovation, which is discussed further in the next section.
Innovation

During the course of my career, I was in the semiconductor equipment business — specifically, the lithography space. One great success stories in the lithography community was the rise of ASML, a Dutch lithography equipment maker that bested larger rivals Nikon and Canon to take the #1 position in what is arguably the most technologically complex business in the world. Recently, I had the chance to reflect on the history of ASML and the nature of their relationships and systematic innovations.

The dominant theme that emerged in my study of ASML and development partner IMEC was an active commitment to build long-term strategic partnerships that build competency with suppliers, research partners, and customers. Moreover, the most significant and valuable disruptive innovation in the lithography space in recent history, water immersion lithography, came from a user – TSMC, with whom ASML has had a strong relationship since 1988. TSMC was, at that time, a lead-user in a market that they created and now dominate; the silicon foundry market. The innovation didn’t come from IBM or Intel -- it came from the fringe. Very briefly, the resolution, or ability of an optical lithography system to reduce image or feature size – the engine of miniaturization in the microelectronics business, is governed by the Raleigh equation:

\[
\text{Resolution} = \frac{[K1(\text{a constant}) \times \text{wavelength of light used}]}{\text{numerical aperture of the lens}}
\]

Consequently, for generation after generation – the research thrust was to use ever small wavelengths of light (365nm > 248nm > 193nm> 157nm > 13.5nm) and ever large numerical aperture lenses (0.4 > 0.6 >.8>.9). However, employing water, rather than air, at the interface between the last lens and the wafer surface enables the effective numerical aperture of the lens to increase above 1.0, which – again following the Raleigh equation, improves resolution. What is interesting here is that this innovation required a user scientist only to possess a relatively basic knowledge of optics and photoresist chemistry to see that the whole system could be improved using a technique that has been around for 100 years when oil immersion microscopy was first invented.

That said, Micronotes will employ a user-based innovation system capable of systematically harvesting user-innovation – and build those innovations into our service offerings through time.

Identify and bond with customers who are doing innovative things with our service

We know that our target U.S. customer is an affluent female. Moreover, we know something about how she’d like to access the service:
Normally, I would focus on the largest group, the computer/internet group (85%, Figure 12). And while these women (the internet users) may be pioneers in using Mnotes, they may not be the innovators in our group. Rather, it may be the small group of cell phone and handset users who may, in fact, be our innovators. The fact that they are mobile suggests that they will be using the service in a different environment. For example, while our phone and internet users will probably sit at their desk and pay bills, our mobile users may be on the road, on a job-site, at a vendor's office, standing at their mailbox opening bills, or sitting on a commuter train paying bills. That said, how could we learn about our mobile users' needs and, in Clay Christensen's language [Professor Clayton Christensen, MIT Lecture Series, © 2007 Innosight LLC] “what job they are hiring Mnotes to do for them?” Here are a few ways that we will attempt to get at this information:

- Create a visually clean Mnotes on-line community to share cool ways of using Mnotes.
- Hold “Deskless” contests on the Micronotes site which rewards the most innovative mobile use of Mnotes.
  - Visit repeat winners routinely and consider hiring them.
  - Give contest winners access to the Mnotes β-site and pay attention to what they do and say. Determine if they can be lead-users insofar as they are able to predict how other users would respond to new services (e.g. Following Prelec's Bayesian Truth Serum methodology, “A Bayesian truth serum for subjective data”, Drazen Prelec, September 6, 2004, MIT, Sloan School of Management)
- Create a user-generated “job listing” for Mnotes where people post the jobs that they’d like Mnotes to do for them. Connect these ideas to a development system that keeps Mnotes-β service current and innovating. We will contract with MIT’s Center for Digital Business to assist in operationalizing these ideas.

Figure 15 – Preferred access method for both small business and casual consumers
We also know that most people would take the discount right away but, a sizeable number would save the money to discount future bills.

Figure 16 – Preferred discount method

Again, intentionally ignoring the majority and focusing on the fringe, there are a considerable number of women who are interested in saving and bartering those savings. Here are a few ways we will explore this bartering aspect of the service:

- Using a simple and clean tool-kit approach, that is -- give users the choice of saving or redeeming Mnotes discounts/dividends.
- Hold regular contests on best ideas to spend Mnotes credits; connect to other merchandise/service providers for redemption and charge those merchants for click-throughs.

A continuous stream of innovation is critical to the Micronotes business model on 2 dimensions:

- The correlation between the uniqueness of our service and intention to buy is one of the strongest, along with credibility, with a correlation coefficient of 0.57. The correlation coefficient, for example, between a potential customer’s interest in saving time & money and intention to buy = 0.41. We must innovate to retain and grow our customer base!
- The main strategic risk in this business is the banks’ ability to copy our service. We must innovate to compete, and I would submit that it is our primary source of competitive advantage as well.
Partner with the MIT Labs

Much like the ASML/IMEC relationship, which was about 100 km apart, Micronotes will strengthen core competencies in emarketing and finance and foster innovation through partnering with the MIT laboratories, such as the Center for Digital Business, Laboratory for Financial Engineering (LFE), and Virtual Customer Initiative. Aside from physical proximity, time, and financial commitment, we will invite the chairs or directors of these labs (e.g. Andrew Lo) to serve on the Micronotes board of directors.

We will need to incentivize the people working in these labs to both innovate and to help us operationalize user-innovations. We’ll start by creating a user-contest for the most innovative use of Micronotes, similar to Threadless.com, and talk to the people from Innocentive to see if we can use their platform to engage both the MIT and broader community to help us quickly turn winning user innovations into Mnote-β trials. For example, if the winning user-innovation was a method to pay insurance bills while earning money during the grace period, we might be able to implement that right away by tagging all insurance company payments and asking users if they’d like delay their payment into the grace period to increase their discount. Alternatively, if a winning user-innovation was to negotiate a discount on rent in exchange for timely electronic cash flows from tenants with large apartment complexes, we might write an “Innocentive-like” [www.innocentive.com] ideation as below:

INNOCENTIVE 514397 Ideation 570 project rooms open

Method of exchanging timely electronic payments to building owner in exchange for rent discounts

POSTED: NOV 29, 2007 DEADLINE: Under Evaluation $5,000 USD

The Seeker is looking for a way to quickly and effectively enable groups of tenants to benefit from the aggregation of their payment to a single landlord – using the Micronotes payment system or not.

More details are available once you register as an InnoCentive Solver. Read More

Figure 17 - Innocentive ideation example

We might then build a system to compensate award-winning users who would like to help operationalize their own ideas.
Exploit Micronotes System Dynamics

Figure 18 – The importance of Avg. $/transaction [A full system diagram is available in the Business Model section of this report]
One key component to the profitability of this business is the relationship between average transaction size (e.g. a $20,000 tuition payment vs. a $100 Comcast bill) variable costs, and profitability – as identified in the figure above. We will start with a marketing plan to promote high-dollar bills like vendor invoices, rents, mortgages, insurances, and vehicle payments to women-owned small businesses.
Figure 20 – The importance of 3rd party endorsements [A full system diagram is available in the Business Model section of this report]

The primary network externality identified is shown above and is derived from vendor or partner endorsements, who will receive perfect payments from Micronotes. The goal is have perfect on-time payments, and possibly even early payments to these firms, in exchange for 3rd party endorsement of the Micronotes systems, which drives word of mouth – which grows profits. That said, we will need to have Mnotes hot links available to these firms to place on their website if they wish for their customers to pay using Mnotes. We may also want to provide consulting to help vendors assess if Mnotes discount structure along with any discounts they are offering could yield a meaningful change in their competitive position in highly competitive and price elastic businesses (e.g. the home heating oil business).

Architect customer data storage in such a way that cluster analysis can be performed and innovative uses of the service can be tracked

What will we have with millions of customers and billions of dollars in transactions? We will develop frameworks around what kind of community we might be creating and understand how to store, retrieve, analyze, and use customer information to continuously bond closer to each customer through
habit monitoring. For example, if Jane French usually pays makes her insurance payment on or around the 25th of the month and it is usually $1,000 per payment, if it is on or around the 25th of the month, we might welcome Ms. French with a screen that says, “Would you like to pay your Travelers bill today Ms. French?” We must also be very careful about our use of Ms. French’s time so, we will have to have very good internal filters and test capability to ensure that we are not filling Ms. French’s Mnotes interface with spam; trust takes a long time to earn but only a moment to lose. We will also need a clock function to ensure that users spend as little time as possible actually paying bills leaving as much time as possible to making suggestions to improve Micronotes.

Cost/benefit analysis lives in customers’ heads – not ours!

Different people will have different needs; we will try a few approaches to meet customer segment needs:

1. Routinely test the demand curve (price vs. quantity) to ensure that we are maximizing value to both customers and shareholders while being careful not to violate customer trust.
2. For internet users, we will provide a customizable screen which will allow customers to create their own environment, then monitor which configurations are most popular and ask users if they’d like to see the most popular configurations.
3. Organize our customer data in such a way that we can perform routine preference (e.g. conjoint) analysis to better understand customer utilities for various features and as new services and features are developed, we will notify the customer segments that we feel would be most interested in the new – most likely user-created – service again, with great care.

Trust, openness, and honesty will reign supreme as will the focus on managing execution and operational expectations from a large and diverse new group of stakeholders; our users, who are now our designers.
Regulation and Taxation

Regulation

The Micronotes business model doesn’t exist so research around regulation is inferential based upon analogous existing businesses.

Micronotes could be seen as engaging in contracts with our customers, that is, we agree to accept the customer’s discounted debt payment and settle the full debt amount. The customer’s consideration is their discounted pre-payment, our consideration is in the obligation to settle the full amount of the customer’s debt. And the customer must demonstrate the capacity to deliver the pre-payment (e.g. no overdrafts) and we must demonstrate the capacity to earn the return needed to make the full payment. We will also engage in money transfer, insofar as the customer authorizes Micronotes to debit her account in the agreed upon amount, we, in turn, transfer that money to the customer’s creditor.

Micronotes is a discount (or possibly a “dividend”) bill-pay service with elements of Paypal, Western Union, and Checkfree Corporation. Examination of the regulations to which these three companies are subject reveals that Micronotes will likely have to comply with a number a U.S. Federal and State laws and regulations and – in the case of international expansion, corresponding country-specific laws and regulations. In the U.S., we expect that we will be subject to some subset of the regulations listed below in table 1 – for which we will plan for significant legal expenses to manage. While an initially distasteful investment, successful navigation of such a legal and regulatory gauntlet will provide a barrier to entry for smaller firms wanting to enter our business.
Our investment policies will be guided by Federal, State, and country-specific laws – as shows below:

<table>
<thead>
<tr>
<th></th>
<th>Checkfree</th>
<th>Western Union</th>
<th>PayPal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>Bank Service Company Act</td>
<td>Our money transfer and money order services are subject to anti-money laundering laws and regulations, including the Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001 (collectively, the &quot;BSA&quot;) and similar state laws and regulations.</td>
<td>Although there have been no definitive interpretations to date, PayPal has assumed that its service is subject to the Electronic Fund Transfer Act and Regulation E of the Federal Reserve Board. As a result, among other things, PayPal must provide advance disclosure of changes to its service, follow specified error resolution procedures and reimburse consumers for losses above $50 from transactions not authorized by the consumer.</td>
</tr>
<tr>
<td>Federal Reserve Board’s rules with respect to its ACH Network</td>
<td></td>
<td></td>
<td>PayPal is subject to the financial privacy provisions of the Gramm-Leach-Bliley Act, state financial privacy laws, and related regulations.</td>
</tr>
<tr>
<td>Office of Foreign Assets Control (&quot;OFAC&quot;)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>we must give our customers notice and the right to “opt out” of any sharing of non-public personal information</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>electronic funds transfer rules embodied in Regulation E, promulgated by the Federal Reserve Board</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our walk-in bill payment service conducted through CheckFreePay is considered a money services business and as such is registered with FinCEN</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 21 – Checkfree, Western Union, and Paypal regulations
In the United States, most states license money transfer services providers. Many states exercise authority over the operations of our money transfer services and, as part of this authority, regularly examine us. Many states require us to invest the proceeds of money transfers in high-quality, investment grade securities, and our use of such investments is restricted to satisfy outstanding settlement obligations. We regularly monitor credit risk and attempt to mitigate its exposure by making high-quality investments in compliance with these regulations. Substantially all of our investment securities, most of which relate to state licensing requirements in the United States, have credit ratings of “AA-” or better from a major credit rating agency as of December 31, 2007.

Nearly all U.S. states and territories have enacted legislation regulating money transmitters. To date, PayPal has obtained licenses in 41 of these jurisdictions and interpretations in six states that licensing is not required under their existing statutes, and is applying for licenses in two additional states.

<table>
<thead>
<tr>
<th>State</th>
<th>Checkfree</th>
<th>Western Union</th>
<th>PayPal</th>
</tr>
</thead>
<tbody>
<tr>
<td>registered as a money transmitter where appropriate</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Federal/ State and International

- CheckFreePay currently maintains 40 licenses to comply with the various money transmitter statutes mentioned above, and is subject to annual audits by such jurisdictions.
- These include financial services regulations, consumer disclosure and consumer protection laws, currency control regulations, money transfer licensing regulations, escheat laws and laws covering consumer privacy, data protection and information security.

Our company is subject to unclaimed or abandoned property (escheat) laws in the United States and abroad.

In the United States, data privacy laws such as the federal Gramm-Leach-Bliley Act, California SB1/ SB1386 and various state laws apply directly to a broad range of financial institutions including money transmitters like Western Union, and indirectly to companies that provide services to those institutions.

As a licensed money transmitter, Paypal is subject to bonding requirements, restrictions on its investment of customer funds, reporting requirements, and inspection by state regulatory agencies.

PayPal is subject to regulation as a bank in Luxembourg, and its status under banking or financial services laws or other laws in markets outside the U.S. is unclear.

Table 22 - Checkfree, Western Union, and Paypal regulations
Taxation

The IRS broadly defines a loan as, “…any extension of credit…and any transaction under which the owner of money permits another person to use the money for a period of time, after which the money is to be transferred to the owner or applied according to an express or implied agreement with the owner…” and, “an agreement under which an agent or intermediary is permitted to retain possession of money for a period of time before transferring the money to his or her principal is treated as a loan for purpose of section 7871…” Consequently, from the tax perspective, the IRS will consider Micronotes an intermediary and therefore our small business customers will impute interest in the discount bill-pay transaction which she will account for as interest income.

According to J. Thomas Price, a tax attorney at Chu, Ring & Hazel LLP:

1. An arrangement whereby a Customer of MN transfers a sum (“S”) to MN [Micronotes], with the understanding that MN will after a stated term pay S + x to discharge an obligation of the Customer, would be treated as loan by the Customer to MN, with x being interest on that loan paid to or for the benefit of the Customer. See, for example, the broad definition of “loan” in the proposed regulations for “below market loans” addressed by IRC sec. 7872.

2. Even though a “loan” under the proposed regulations, it may well not be a “below market loan” under sec. 7872. This is because there is an exception for any arrangement offered to members of the general public on the same terms and conditions. Sec. 1.7872-5T(b)(1) (Sec. 7872 is aimed, primarily, at certain perceived abuses in loans between related parties.) If the exception applies, there will be no requirement that the rate of interest deemed to be paid to the Customer be tested by comparison to the current “applicable federal rate” and adjusted if below that rate.

3. There is also an exception for arrangements that have no significant effect on the tax liability of the lender or borrower. Sec. 1.7872-5T(b)(14) In the case of a business customer, which presumably could deduct the “x” amount as payment of a business expense, the interest income and business expense would be a wash, and thus eligible for the exception. Similarly, it would be a wash for MN, which would have interest income from its bank that is offset by the interest deduction for the “x” amount paid for benefit of the Customer.

4. However, there is an exception to the exception, in each case, if “one of the principal purposes of so structuring the transaction is the avoidance of Federal tax.” Sec. 1.7872-5T(a)(2).

5. But if the “x” amount is consistently treated as interest, reported to the Customer as interest earned and deducted as interest expense by MN, then there almost certainly is no “tax avoidance” in the arrangement.

6. The reporting of interest to each Customer raises questions of practicality and expense, where the business model is based on large numbers of relatively low volume customers. Reporting on Form 1099-INT is required, in the case of a payer that is not a bank, credit union, or similar institution, only if the
**total interest of the Customer is $600 or more in a calendar year.** So that may reduce the required Form 1099 reporting – which requires a separate mailing to each recipient - to an acceptable level. **However, to rebut any suggestion of “tax avoidance” in the arrangement, MN should disclose to the Customer that MN is treating the “x” amount as interest.** If MN plans to send to its Customers electronic confirmations of payments of bills, it could be noted in those confirmations that S was deposited with MN, S + x was paid to Customer’s vendor on a stated date, and that x is interest credited to the Customer. The initial intake agreement with the Customer could mention that amounts representing the difference between the amounts of Customer’s deposits and the amounts paid to Customer’s vendors will be treated as interest and that the Customer should consult his tax advisor. MN should consider whether practices like these are consistent with its intended relations with its customers.

Since the average small business will earn on the order of $100/year in Micronotes dividends (customer APR=1.3%), we don’t plan for any mass mailings of 1099-INT forms, though we could have a few larger customers who do pierce the $600 threshold, who will need an accounting of interest earned.
We have modeled the Micronotes business system to identify leverage-able components.
The system diagram above illustrates the connections between critical components of the business, and how they interact. Boxes and double-lined arrows show stocks and flows (e.g. business flows to Micronotes from the stock of bills that are currently paid by another means), arrows show causal relationships (e.g. higher investment yield causes investment income to increase), and + and – signs on arrows indicate whether the causal relationship is positively correlated or negatively correlated (e.g. As customer credit scores go up, customer credit costs go down, so this is a negative correlation with a minus sign and conversely, as convenience increases, the attractiveness of the service increases which is a positive correlation with a plus sign on the arrow).

### Business Drivers

The first order of business, beyond the creation of a legal, attractive, and reliable service, is customer acquisition, which – in the Micronotes business model, depends on the factors listed in the causal diagram.
Figure 23 – Acquisition rate causes

The customer acquisition rate will depend primarily upon people being aware of the service, the attractiveness of the service relative to current practices, either on or off-line, and anything that they have heard about the service from trusted sources. Initially, we will primarily use public relations and direct marketing and sales to acquire customers, longer-term customer acquisition will depend largely upon customer delight and favorable word of mouth.

Figure 24 – Attractiveness of Mnotes Causes

The attractiveness of Mnotes will be a function of the each customer’s respective utilities for the convenience, discount, and belief in the possibility of an improving credit score – and ultimately compared to the present method of paying bills. The customer interface will be designed and redesigned with these, as yet, unknown utilities.
Micronotes investment income will be depend upon prevailing interest rates, average days prepayment by customers – and be reduced by increasing variable costs, the sensitivity of which will be discussed in the next section.
## Financial Model

<table>
<thead>
<tr>
<th>US Small Business Only</th>
<th>Value</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small business spending</td>
<td>$ 5,000,000,000,000</td>
<td>per year (not including payroll and investments)</td>
</tr>
<tr>
<td>Number of small businesses on line</td>
<td>$ 24,833,000</td>
<td>small businesses</td>
</tr>
<tr>
<td>Average business spending per business</td>
<td>$ 201,345</td>
<td>$/year/business</td>
</tr>
<tr>
<td>Estimated average bill amount</td>
<td>$ 1,000</td>
<td>Average $/bill</td>
</tr>
<tr>
<td>Average number of bill paid per year</td>
<td>$ 201</td>
<td>Bills paid per year</td>
</tr>
<tr>
<td>Number of female-owned small businesses</td>
<td>7,700,000</td>
<td>businesses (assumes 100% on line)</td>
</tr>
<tr>
<td>Percent of female owned small businesses that would use Micronotes</td>
<td>31%</td>
<td>90% of &quot;definitely&quot; + 50% of &quot;probably&quot;</td>
</tr>
<tr>
<td>Total number of female owned business who would use Mnotes = &quot;Target Segment&quot;</td>
<td>2,412,667</td>
<td>Female owned small businesses</td>
</tr>
<tr>
<td>Total number of bills paid by target segment</td>
<td>485,778,333</td>
<td>Bills paid per year by target segment in total</td>
</tr>
<tr>
<td>Money market annual percentage rate interest</td>
<td>2.60%</td>
<td>% APR</td>
</tr>
<tr>
<td>Micronotes Spread</td>
<td>1.30%</td>
<td>% APR</td>
</tr>
<tr>
<td>Customer annual percentage rate interest</td>
<td>1.30%</td>
<td>% APR</td>
</tr>
<tr>
<td>Average prepayment time</td>
<td>14</td>
<td>days</td>
</tr>
<tr>
<td>Customer's effective interest rate</td>
<td>0.05%</td>
<td>% EAR</td>
</tr>
<tr>
<td>Customer's interest per average bill</td>
<td>$ 0.50</td>
<td>$ discount per average bill</td>
</tr>
<tr>
<td>Average customer's annual savings</td>
<td>$ 100.40</td>
<td>Average discount per customer</td>
</tr>
<tr>
<td>Micronotes effective interest rate</td>
<td>0.05%</td>
<td>% EAR</td>
</tr>
<tr>
<td>Micronotes average interest income per average bill</td>
<td>$ 0.50</td>
<td>$ income per average bill</td>
</tr>
</tbody>
</table>

*Table 23 - Based case financial model*
The table above depicts the primary components of the income statement to the gross profit line – and represents the base case for the sensitivity analyses that follow.

A couple of key market-related assumptions are worthy of discussion. The first is the 14-day investment period which assumes that our customer will pay their bills 14 calendar days in advance of their due date on average. While there is no reliable way to forecast this value in the absence of empirical data, I assume that American Express has done some careful research around small businesses’ willingness and ability to pay bills early in developing the Plum card policy, “...then you will receive an Early Pay Discount (“Discount”) on the amount of your Eligible Purchases (as defined below) made during the billing period covered by that statement as follows: You will receive a Discount of 1% if your Eligible Purchases during the billing period covered by that statement are less than or equal to $5,000, and you will receive a Discount of 2% if your Eligible Purchases during the billing period covered by that statement exceed $5,000” – which, assuming most commercial invoices are due 30 days from the date of invoice, means that Plum card customers are effectively paying 20 days in advance of the bill’s due date to receive the 1-2% discount. I recognize, however, the risk that American Express may also have done the research and concluded that, in fact, very few businesses will be willing and able to take the discount which will render the pre-pay discount an attractive marketing feature with little value, in practice, to Plum card customers. That said, 14 days is a little more conservative than the American Express model and seems like a reasonable place to start but again, only empirical data will determine the accuracy of this forecast and I do model the sensitivity of Micronotes profitability to “pre-pay maturity” in the following section.

The penetration assumption assumes that we can get our entire target market (31% of female-owned small businesses) to pay 40% of their bill volume through Micronotes. In other words, I am assuming that 90% of the female small business owners who said they would definitely pay some bills using Micronotes plus ½ of the women small business owners who said they would probably pay some bills using Micronotes collectively pay 40% of their bills through Micronotes. Again, a detailed marketing plan will be built with the Micronotes team to effectively acquire these customers.

Many other key assumptions which drive gross profits need further detailed validation including:

- ACH Fees
- Bill-pay transaction fees
- T-Bill or commercial paper repurchase contract rates
- Average dollars per transaction
- Percent of bill volume that customers will pay through Micronotes
Sensitivity Analyses

Figure 26 – Avg. bill amount vs. gross profit (Underlying assumptions may be found in the appendix of this report under the heading Sensitivity Analysis Assumptions).

Figure 27 – Variable cost vs. quarterly gross profit (Underlying assumptions may be found in the appendix of this report under the heading Sensitivity Analysis Assumptions).

The figures above demonstrate the need for product policy insofar as the Mnotes server must make real-time [marginal revenue – marginal cost] calculations against rule sets to ensure that we are mindful of processing unprofitable transactions.
Penetration vs. Gross Profit per quarter

Figure 28 – Market penetration vs. quarterly gross profit (Underlying assumptions may be found in the appendix of this report under the heading Sensitivity Analysis Assumptions).

Figure 28 shows a linear relationship between gross profit and penetration -- as expected.

Days Prepayment vs. Gross Profit per quarter

Figure 29 – Maturity vs. quarterly gross profit (Underlying assumptions may be found in the appendix of this report under the heading Sensitivity Analysis Assumptions).

Figure 29 shows the relationship between maturity (average days prepayment) and gross profit again demonstrating the need for real-time [marginal revenue – marginal cost] calculations and rule sets to ensure that we are mindful of processing unprofitable transactions and promote and incentivize earlier payments.
Figure 30 shows the relationship between market interest rates and gross profits pointing towards an increasing return to both customers and Micronotes during times of relatively higher interest rates and the reverse during times of relatively low interest rates.

The good news about the relationship between even a small discount given during tough economic times and its utility is that we may benefit from Thaler’s (“Toward a Positive Theory of Consumer Choice”, Thaler, Richard H., Choices, Values, and Frames, Kahneman and Tversky, Cambridge University Press, 2000) hypothetical value function. Thaler asserts that the shape of the curve is concave for gain and convex for losses (e.g. the difference between 0-100 seems greater than the difference between $1,000-$1,100) and the function is steeper for losses than it is for gain (e.g. it hurts more to lose $100 than to make an extra $100 on top of $1000 already made). And lastly, the slope of the curve is greater near the origin since any movement from the starting point will be overweighted (e.g. reporting a profit of $0.01/share is overweighted, materially, relative to reporting a loss of $0.01/share).
This phenomenon should act as an automatic stabilization feature of the Micronotes system insofar as smaller dividends, which will be available during economically difficult times with low interest rates, will be comparatively more valuable to customers -- and relatively larger discounts, which will be available during economically better times when interest rates are higher, will be needed to attract and retain customers when economic times are good. However, we will want to focus the customer’s attention on the absolute value of the discount, rather than the relatively small percentage discount that each will receive to avoid the concave part of Thaler’s curve.

**Market Timing**

While this business could be launched in either an up or down economy, it is more attractive to launch in a down economy when every incremental dollar in savings has a comparatively higher utility than that same dollar in good times. In the words of Bodie et al, regarding the utility of money, “The law of diminishing returns is at work here: An additional dollar is a lot more valuable to a recent college graduate than to a 55-year-old executive.” ("The Theory of Optimal Life-Cycle Saving and Investing" Bodie et al, ©2007, The Research Foundation of CFA Institute)
**Operating Plan**

<table>
<thead>
<tr>
<th>Period</th>
<th>Q308</th>
<th>Q408</th>
<th>Q109</th>
<th>Q209</th>
<th>Q309</th>
<th>Q409</th>
<th>Q110</th>
<th>Q210</th>
<th>Q310</th>
<th>Q410</th>
<th>Q111</th>
<th>Break-even</th>
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<tr>
<td>Number of target customers acquired</td>
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<td>-</td>
<td>-</td>
<td>1,000</td>
<td>2,000</td>
<td>3,000</td>
<td>4,000</td>
<td>5,000</td>
<td>10,000</td>
<td>300,155</td>
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<td>Penetration (acquired/total target customers)</td>
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<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.04%</td>
<td>0.08%</td>
<td>0.12%</td>
<td>0.16%</td>
<td>0.21%</td>
<td>0.41%</td>
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</tr>
<tr>
<td>Fraction of total customer bill volume acquired</td>
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<td>40%</td>
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<td>Avg. number of bills per customer/quarter</td>
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<tr>
<td>Number of bills processed per quarter</td>
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<td>1,000,000</td>
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<td>Variable Costs (ACM + Bill pay fees)</td>
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<td>Gross profit per bill processed</td>
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<tr>
<td>Gross Profit per quarter</td>
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<td>Operating Income</td>
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<td>Net Income</td>
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<td>Equity Capital inflows</td>
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<td>Assets</td>
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<td>Cash</td>
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<tr>
<td>Customer receivables</td>
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<tr>
<td>Total assets</td>
<td>$455,000</td>
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<td>$1,197,400</td>
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<tr>
<td>Liabilities</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Patent loans</td>
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<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
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<td>$1,000,000</td>
<td>$1,000,000</td>
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</tr>
<tr>
<td>Customer settlement obligations</td>
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<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$0</td>
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<td>$1,000,000</td>
<td>$1,000,000</td>
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<td>$1,000,000</td>
<td>$1,000,000</td>
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<td>$1,000,000</td>
<td>$1,000,000</td>
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<td></td>
</tr>
<tr>
<td>Equity</td>
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<td>$1,197,400</td>
<td>$1,197,400</td>
<td>$1,197,400</td>
<td>$1,197,400</td>
<td>$1,197,400</td>
<td>$1,197,400</td>
<td>$1,197,400</td>
<td>$1,197,400</td>
<td>$1,197,400</td>
<td></td>
</tr>
</tbody>
</table>

**Figure 32 - 10 quarter operating plan**

The plan above makes the following assumptions and draws the following conclusions which may not be obvious from the above table:

1. We introduce the service in summer 2009
2. The initial capital of $455K is supplied by Devon Kinkead and we complete a $1MM angel financing round in the form of convertible debt, in Q408.
3. We complete a $20MM round A financing in Q309, and in doing so convert angel debt to equity, shortly after the release of the service – and start systematic promotion for the next 6 quarters at $1MM/quarter.
4. The firm would need to achieve a 13.27% target market penetration, keeping all other parameters the same, to break-even.
5. The model does not, at present, model capital expenditures or legal fees in excess of $10K/quarter.
International Expansion

To what extent does this business increase economic profits by expanding globally? First, this is a financial services business and to that extent, its global configuration and coordination strategy looks much like that of Citigroup.

<table>
<thead>
<tr>
<th>Concentrated</th>
<th>Dispersed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common brand name</td>
<td>Deposit aggregation and investment activities regionalized by currency</td>
</tr>
<tr>
<td>Investment policy</td>
<td>Telephone access centers</td>
</tr>
<tr>
<td>Product development</td>
<td>Advertising &amp; promotion</td>
</tr>
<tr>
<td>Software development</td>
<td>Regional processing centers</td>
</tr>
<tr>
<td>Global information infrastructure</td>
<td></td>
</tr>
<tr>
<td>People training and development</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coordinated</th>
<th>Decentralized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consistent corporate image</td>
<td>Local language</td>
</tr>
<tr>
<td>Consistent web design</td>
<td>Mobile platform protocol</td>
</tr>
<tr>
<td>Consistent service &amp; quality standards</td>
<td>Regulatory compliance</td>
</tr>
<tr>
<td></td>
<td>Fund transfer system</td>
</tr>
<tr>
<td></td>
<td>Payee system</td>
</tr>
</tbody>
</table>

Table 24 - Micronotes Global Configuration & Coordination

Table 24 suggests that a rational global configuration and coordination system can be developed but, an examination of the factors affecting the long-term competitiveness of this Boston-based business is in order to get at the question, "Is this likely to be business with a strong enough local base to be truly world-class?".

Figure 33 - Sources of Location-Based Competitive Advantage (Adapted from Porter, "Competing Across Locations" - Page 12)
Starting with factor conditions and assuming this business creates value through marketing, software design and implementation, and financial management prowess, is Cambridge, Massachusetts, USA truly world-class along these three axes? I would argue the answer is yes, with world-class firms (e.g. Fidelity, State Street Bank, Gillette/P&G, Google & Microsoft R&D offices locally) and institutions (MIT, Harvard) – the factors conditions are favorable. Turning to context for firm strategy and rivalry, the U.S. is the largest and most competitive market in the world. Demand conditions are favorable insofar as the IT infrastructure is well-established in the U.S. – though the U.S. lags Europe, Scandinavia in particular, and Japan in terms of mobile applications and lags India in terms of mobile banking. The related and support industries for the marketing, IT, and financial industries are well-developed in the U.S. though additional research is needed to understand the relative strength of these businesses as compared to Europe, Japan, and India. And Greater Boston, with its comparatively strong venture capital community and early-stage company bank financing firms (e.g. Silicon Valley Bank) -- coupled with a vigorous competition in ideas from leading universities and start-up firms does provide fertile ground for the Micronotes business model. I would not, however, make the same argument for an agricultural or semiconductor start-up – both of which would be better served by non-Boston headquarters. Consequently, I would argue that the business has a fertile enough local environment to develop as a truly world-class organization.

Lastly, I’ll examine the footprint of this business using Lessard’s four level strategic-analysis radar chart and in doing so, compare Micronotes to internet banking and the search-engine/advertising business.

![Lessard’s strategic analysis radar chart](image)

**Figure 34 – Lessard’s strategic analysis radar chart**

The above chart is instructive insofar as it suggests that the Micronotes business model might well be globalized through partner banks who understand the local market and regulatory conditions and can capitalize on the core competencies of the firm’s Cambridge location and leverage the near zero marginal cost increase of adding new customers into the Micronotes system.

Summarily, Micronotes will be born and raised in fertile ground and can be logically configured to be a global operation with concentrated, geographically dispersed, and local roles and responsibilities.
However, the Lessard radar chart suggests caution in expanding the business without strong local partners who understand and operate successfully in the local market and regulatory conditions.

That said, one unique international opportunity may exist in the form of Sharia law, Islam's legal system. Micronotes is a discount bill-pay service and does not pay interest, per se. Sharia forbids ribā (the charging of interest).

Let’s first examine the potential countries where a large number of people operate under Sharia Law. The top 5 countries, ranked by GDP, which are likely to have a majority of the population operating under Sharia Law are:

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP (PPP)</th>
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<tbody>
<tr>
<td>1</td>
<td>Indonesia</td>
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<tr>
<td>2</td>
<td>Turkey</td>
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<td>3</td>
<td>Iran</td>
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<td>4</td>
<td>Pakistan</td>
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<td>5</td>
<td>Saudi Arabia</td>
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Table 25- Top 5 Muslim countries by GDP

How would we organize Micronotes to ring our discount bill pay service to these 5 countries? First, we’ll see what the Bartlett-Ghoshal global coordination vs. national differentiation model reveals.

<table>
<thead>
<tr>
<th>High Coordination</th>
<th>Business/Service (Customer Facing)</th>
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<tbody>
<tr>
<td></td>
<td>Mnotes service localized:</td>
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<tr>
<td></td>
<td>Local language</td>
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<td>Mobile platform protocol</td>
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<td>Regulatory compliance</td>
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<td>Fund transfer system</td>
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<td>Payee system</td>
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<tr>
<td>Low</td>
<td>National Differentiation</td>
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</table>

Table 26 – Global coordination of customer facing activities
Table 27 – Global coordination of functional groups

<table>
<thead>
<tr>
<th>High</th>
<th>Functional Groups (Departments)</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Quality, information infrastructure</td>
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<tr>
<td>Low</td>
<td>National Differentiation</td>
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Table 28 – Global coordination of geographically distributed units

<table>
<thead>
<tr>
<th>High</th>
<th>Geography (Subsidiary/Franchise/Competitive Strategy)</th>
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<tbody>
<tr>
<td></td>
<td>Indonesia, Turkey, Iran, Pakistan, Saudi Arabia</td>
</tr>
<tr>
<td>Low</td>
<td>National Differentiation</td>
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</table>

Table 26 suggests that all customer facing activities, including fund transfers from customer bank accounts, must be highly localized. Assuming all customer money remains in the customers’ home currency, operating on the assumption that this practice will eliminate currency risk, the business itself will be operate largely independently and serve local customers; which could suggest a franchise model with local ownership. Table 27 suggests a high level of both coordination and national differentiation for many of the functions, excluding quality and IT infrastructure which require global coordination but little local customization. That said, local offices will need world-class communication systems to communicate with Boston headquarters and the functional people in Boston will need to focus on building tool-kits and templates, training and development, which will enable the local offices to innovate quickly, in a coordinated manner, to respond to local customer needs. It might be worthwhile to examine how firms like McDonald’s coordinate functional responsibilities with franchisees.

Table 28 suggests that these are distinct markets where the competitors are likely to be quite different. However, further research is needed to ensure that a single global competitor doesn’t serve all or most of these markets. If such a competitor exists or emerges, global coordination of competitive strategy would need to be much stronger.
Micronotes has a fertile local environment to develop into a world-class contender. Moreover, I would argue that a discount bill pay service is relevant to a society where inflation exists but interest income is unavailable. Appropriability is unknown since the strength of local competition and laws surrounding repatriation of profits are unknown; a great deal of research is needed here to fully understand Islamic banking systems and country-specific laws. The core competencies of the firm in internet marketing and finance appear to be transferrable, but questions remain around the willingness of consumers and small businesses to use the service and the local support infrastructure needed to operate the business effectively as a going concern.

Can any of these countries become a local or regional platform? Although United Arab Emirates (UAR) didn’t make the top 5 at number 13, I could imagine UAR, a fast-growing, English-speaking, financially-savvy, and higher education oriented country being a global/regional platform for the 57 Organization of Islamic Conference (OIC) countries. That said, however, in speaking with a Muslim member of my class who lives and works in Malaysia, it is clear to me that as present, I have insufficient background information on Islamic banking systems to even ask the right questions. Summarily, as a start-up, we will need to be very careful about managing our “management bandwidth” in any such expansion plan and do a great deal more research on Islamic banking to better understand this opportunity. We will start with an exclusive focus on the U.S. market.
On 21 February 2008, Micronotes filed a patent application which is summarized as follows:

BACKGROUND OF THE INVENTION

In the development of the banking system and financial markets an important principle is the time value of money. That is, people are willing to wait for their money only if they have an interest in doing so. Hence, the creation of interest payments. These principles create friction at the interface between debtor and the creditor insofar as the debtor is paid interest for holding on to their money as long as possible while the creditor is left to devise penalties for late payment to counteract the debtor’s interests in delaying payment. For example, people will, for a variety of reasons, mail a credit card bill late only to find a late fee on their next bill which exceeds the time value of that money by several hundred times. Some charges go through, others are contested but, either way, debtors, and in same circumstances creditors lose money and time, and the credit scores of debtors are impacted in the process. Most detest paying bills and that sentiment combined with people’s penchant for holding on to their money until the last possible moment combines to yield significant losses for consumers and small businesses, and for the creditors themselves.

Ideally, if parties pay their bills on-time, there wouldn’t be any need for late fees or time spent disputing such fees. Moreover, market research data suggests that there isn’t much difference in late charge experience, if any, between those who report paying their bills early versus those who report that they pay bills only when they have the money to pay those same bills. Why do those who have the money to pay their bills report any problems around late fees? The explanation is that people find the process of paying bills tedious and distasteful and couple that with people’s interest in holding onto money as long as possible, the result is procrastination, which leads to late charges, disputes, and compromised credit scores. The incentives of the users in this system are such that late charges, disputes, and compromised credit scores are a perpetual reality within the system.

Achieving Liquidity

We anticipate that a number of firms will be interested in a profitably growing Micronotes platform including financial firms, firms selling highly price sensitive commodities (e.g. if a customer will switch oil vendors for $0.50, Micronotes might enable to erase the price difference through prepayment discounts) and firms interested in the Micronotes small-business community.
Specifically, we expect banks (e.g. Bank of America, Citi) and financial service firms (Merill Lynch, JP Morgan, American Express) interested in serving the small business community to be interested in the firm; Ebay and Amazon.com may be interested as well.

Longer range future cash flow projections and terminal growth rates are needed to estimate the value of the firm to any potential suitor.

Summary and Conclusions

The primary goal of this research was to determine if Micronotes, a start-up company based on an electronic bill-pay service that enables customers to prepay & discount their bills, is a viable business proposition. In fact – it is, with a target market of 7.7 million female-owned small businesses yielding a $486B/year short-duration investment volume for the firm which, if fully penetrated, yields $8MM/quarter in operating income. And while the average small business will earn only $100-$200/year in discounts, the real value will come from the creation of perfect on-time payments on behalf of our customers yielding lower credit costs.

While this work represents background research for the executable business plan that the Micronotes team will construct together, the major conclusion that I draw from this work is that a business school, with its rich research capabilities, sharp professorial minds, and freshly learned frameworks, is an excellent place to perform business plan research. Having gone through this process before as a young and isolated entrepreneur, I conclude that this is a superior route to better business planning.
Index

Product Design

$600 or more in a calendar year, 48
1.96 million transactions per day, 35
**1099-INT**, 47
14-day investment period, 54.
age 35, 20
annual fees, 8
**applicable federal rate**, 47
ASML, 36
attractiveness, 51
automated advisor, 35
Automatic Bill Payment, 9
automatic stabilization feature, 58
Avg. $/transaction vs. gross profit, 55
bank interest rates, 12, 15
Bayesian truth serum, 37
Boston-based business, 60
Business spending, 34
Checkfree Corporation, 44
Citigroup, 60
clock function, 43
competitors, 10
concept screen-shot, 11
Concept test, 23
consulting, 42
coordination strategy, 60
correlation between the uniqueness of
our service and intention, 38
customer acquisition rate, 51
customer information, 42
Customer satisfaction, 34
Defer Pay Option, 8
Discount of 1%, 8
Discount of 2%, 8
Early Pay Discount, 8
engaging in contracts, 44
error rate, 35
expanding globally, 60
factor conditions, 61
**Females**, 17
fertile local environment, 64
Fidelity, 61
footprint, 61
Form 1099 reporting, 48
friction at the interface, 13
global configuration, 60
habit monitoring, 43
hot links, 42
hypothetical value function, 57
impute interest, 47
Innocentive, 39
**interest income**, 47
Interest rate vs. quarterly gross profit,
57
international expansion, 44
investment income, 52
IRS, 47
Islamic banking systems, 64
Islam's legal system, 62
legal expenses, 44
loan, 47
local market and regulatory conditions,
61
Market penetration vs. quarterly gross
profit, 56
Market size, 33
Maturity vs. quarterly gross profit, 56
microsecurities, 12
money available, 16
money transfer, 44
most popular configurations, 43
network externality, 42
online coupons, 18
paid a bill on-line, 19
paying 20 days in advance, 54
paying a debt with another debt, 9
Paypal, 44
penalty fees, 13
preference, 43
price elastic businesses, 42
prior art, 3, 7
product policy, 55
quality, 35
regulation, 44
ribā, 62
sensitivity analyses, 54
Sharia law, 62
State Street Bank, 61
strong local partners, 62
tax avoidance, 47
tool-kit, 38
transaction size, 41
undersells, 35
user-based innovation, 36
Variable cost vs. quarterly gross profit, 55
waived for the first year, 8
Western Union, 44
Women-owned businesses, 33
women-owned small businesses, 32
β-site, 37

68
## Appendix

### Sensitivity Analysis Assumptions

<table>
<thead>
<tr>
<th>US Small Business Data</th>
<th>Value</th>
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<td>Gross profit per bill processed</td>
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Average Bill Amount vs. Gross Profit
### 2H Small Business Day

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| Market Penetration vs. Gross Profit

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**Market Penetration vs. Gross Profit**
Average Prepayment Time vs. Gross Profit
Variable Costs vs. APR
Transcripts

Micronotes Interview Transcript:

Interview Date: _12/27/07______________________________

Name: _Anita Kinkead______________________________

Gender: _Female______________________________

Occupation: ___Teacher/homemaker______________________________

Devon: Can you tell me about your worst experience paying bills?

Anita: My worst experience paying bills is when I forget to pay them on-time and realize that I have to pay a penalty or additional payment.

Devon: And can you think of a specific instance when that occurred?

Anita: Yes, we used to have a visa, and I don't remember the name of the bank we had it with, and we forgot – it was past due about 10 days, and um I finally paid it only to discover in the following month that they charged a late fee (a late fee for being late).

Devon: And then, how did you correct that – what did you do?

Anita: I called them, gave them my acct. number, and told them that from the experience we had with them, they realized right away that we were a good customer and that this was an oversight so they deleted it. I wasn't sure if they were going to drop the late fee charge but they did because these didn't want to lose us a customers...

Devon: So the problem was, you paid late, saw the charge, then you had to spend time to undo what had been done.
Anita: I wasn’t sure if they were going to drop the late fee charge but they did because these didn’t want to lose us a customers...

Devon: When you think about paying bills, what images come to mind?

Anita: The television... the screen on the computer because we use Quicken, And I actually enjoy paying bills because I feel if we forget to pay bills we might run into trouble like the lights being shut, no heat – and it’s not a pleasant I am looking forward to so I actually do like to pay the bills and especially pay attention to paying on time.

Devon: So you think about the positive benefits of paying bills.

Anita: Definitely

Devon: So, the next question was, “How do each of these images relate to bill paying?” Obviously, in the case of the computer screen, that relates to the use of Quicken to pay bills.

Anita: uh hugh

Devon: computer screen relates to quicken/bill paying

Anita: actually writing out the check, bill paying, bill formation, check formation, putting in the right date as to when it goes out.

Devon: If I ask you to step into the picture, can you tell me what you see around you?

  o What are you doing?
  o What are you thinking?
  o What are you feeling?

So, if you step into the picture of a computer screen, so, I guess you sind yourself seated, you find yourself with bills, if you close your eyes and describe that – what’s around you, what are you thinking about, what are you feeling?

Anita: Well, I am feeling like I am fulfilling an obligation because, everyone needs to pay bills and the recipients need to also pay their own bills, so they need people to make sure that they... they are rendering a service so I am happy to pay them. What I picture, I see myself surrounded by comfort in a comfortable chair, we have music in the background. It’s like I said, a positive experience.

[Devon struggles with optional “Dumb” question...]

Anita: It’s a positive experience because... but, it doesn’t mean that I very much enjoy paying bills as much as I enjoy putting the clothes outside. No, it’s something that I do
once or twice a month, so, it’s rare, it’s not an everyday occurrence so, I don’t think that I would enjoy it if I had to do it every day – I would see it as a chore, whereas Comcast is providing a service I am happy to pay them, I don’t want the electricity to go out so I am going to make sure that we pay the bills on time. So, I am positive in that sense, you render me a service, I am happy to pay you but, it’s not something – oh my god, I am going to wash clothes and put them outside, it’s sunny...

Devon: You know that’s really interesting, do you... among your friends and among the women you know – do more of them pay the bills, of do the men typically – or it is split do you think?

Anita: The only person...the only two people I know that pay the bills – the Collins’s, I have heard Sherry say many times that Chris pays the bills and Rick pays the bills.

Devon: So, everybody else you know...

Anita: the only 2 that I’ve ever talked about paying bills because, you know, when it comes to money.

Devon: no, no, no – are you saying that – as far as you know, the only people you’ve ever talked to the man pays...

Anita: Filo pays the bills because she doesn’t trust Dan, he’s forgetful... he’ll let things go until they turn off the lights...so, she takes over that... I only did it because you got so busy, you used to do it – but you never asked me, once you got busy, I started doing it...

Devon: If you had to guess, do you think that in most households it’s one or the other, it’s split down the middle?

Anita: I think it’s split...

Devon: The reason I ask is because some of the things that you said were very interesting. This notion of... you know one of the things that I have noticed is that women are much more sensitive to the environment – and that’s why decorating is more interesting to women so, there’s this idea that you are creating an environment...

Anita: Comfort is very important...

Devon: Creating a safe and pleasant environment...I think is... and beautiful...

Anita: comforting... that’s why I am always saying, you take the snow out so the guy can come and put the oil and the mailman can have access to our mailbox.

Devon: you know people... do you think that part of the enjoyment, as unpleasant – or as you said – if I had to do this a lot...
Anita: it’s more like a necessity.

Devon: No, but – the satisfaction that you do get out of it...

Anita: It’s a moral duty – I need to pay the bills.

Devon: Okay, so it’s not necessarily because –

Anita: Because I enjoy screwing with the computer no, because I am not a tech person. But, it’s a moral duty to pay the creditors so they can continue to provide a service.

Devon: Got it...Some people pay bills with personal checks, others through direct withdraw, and still others with differing forms of credit and electronic bill pay services. Can you describe how you pay bills and have you ever had difficulty with the mechanics of paying bills?

Anita: Um, how I pay bills, if it’s a blanket order bills such as the ones that come all the time, every month – the regular bills, because they are already set up but, if I get a bill that I need to pay and I don’t need to start a new account with them, I just use a regular checkbook – and pay that one knowing that I am done.

Devon: So you use both checks and...

Anita: Electronic...

Devon: We actually use all three, right – we use electronic bill pay, personal check, and automatic withdrawal for our mortgage – right?

Anita: Yes,

Devon: So we have 3 different systems for paying bills.

Anita: you might want to add money orders, some people pay with money orders because they don’t have checkbooks.

Devon: But that’s not our experience right?

Anita: No, but you may want to put that because people like Adelina have money orders. Money order is like 65 cents or 45 cents – you pay that and you don’t have to worry about any bank charges. And we also have more than that for withdrawl – we have the life insurance withdrawel –

Devon: Yeah, so we use all three systems. Have you ever had any difficulties with the mechanics of paying bills – like someone didn’t receive a payment or you struggle to find – to get the passwords to work or something didn’t work because the internet went down – any obstacles to the process of paying bills...
Anita: No...

Devon: Thinking about when you pay your routine bills, do you usually pay long in advance, around the time they are due, and after their due date?

Anita: Around the time they are due

Devon: And can you describe why you pay when you do – what are your motivations?

Anita: Well, again – in trying to avoid penalty charges or disruption in the service – I want to make sure that they receive it when they want it – or at least as close as possible.

Devon: Right, Are you satisfied with the current way you pay bills to these companies/entities? If so, why? If not, why not?

Anita: I am satisfied because I cannot recall having a problem or someone saying they haven’t received payment. I have, on occasion, received a second bill – yjsy I will check and say that my records indicate that – and I will call them back and say that - and they will tell me to disregard it – sometimes the computer will spits one out if they don’t receive it on time...

Devon: ah, that’s interesting – you get a bill but they haven’t yet recorded in the bill that they received the prior payment...

Anita: Exactly...

Devon: Now the payment, you have to make a phone call...

Anita: first, I go on my computer and I verify that I did pay it – and then I make the phone call and 100% of the time, they say "I’m sorry, the computer spit out a bill before we had time to make the transaction properly – whatever.

Devon: What do you look for in a company/resource to assist you with paying your bills?

Anita: I’ve never had to call Quicken, which is the company we use – so, I don’t – in the past I have had to call the bank directly. There was an instance where someone was using our name - using our name a co-signer – I had to make sure that that person, that the bank, I had to call the bank to figure out who this person was because this creditor was calling here and asking us about this individual. And I finally had to call the bank and the bank figured out who this person was using our name as a cosigner – and of course, come to find out it wasn’t true, so I have had to go to the bank itself because the bank we use works directly with the service we use, I believe, because they were able to dig out that information.
Devon: So, is it fair to say that one of the things that you look for in these companies with whom you do business in paying bills is... one, not to have problems, you don’t want to be on the phone with them every week but, also that they have some ability to spot fraud and sort it out if...

Anita: I had to be the one... I called the bank and said that someone keeps calling here, can you find out what’s going on. Um, I don’t believe that any money was taken out... from our account but, what this person had done was use us a co-signer and when she did not pay her bills, they were calling on us – and I didn’t know what to do so I called and out bank was able to find out who this individual was and pretty much put an end to it. But, without the bank – I don’t think that I would have known.

Devon: Do you think that if your service providers (e.g. rent, phone, internet, insurance) offered you a small discount for paying your bills before their due date, that you would take advantage of these discounts?

Anita: Absolutely

Devon: Please tell me about the best customer rewards program in which you've actively participated or wanted to participate? What made it the best?

Anita: After Christmas 50% off...

Devon: That not a customer rewards program...[explanation of credit card frequent flyer miles]

Anita: Once in a while, you get the 25% off in the Barnes and Noble, in addition to the 10% discount that we get...

Devon: So, if that’s the best customer rewards in which you’ve actively participated, what made it good?

Anita: I love the discount because, on top of receiving that coupon in the mail, we automatically have a discount because we are members so...

Devon: Kind of a double –

Anita: So that’s the incentive and the timing was perfect, around Christmas, because we always buy books, but I think that also – it works anytime I get a coupon. You know, look at the $5 I get all the time, 20% off every purchase, so – if I need a coffee machine instead of going to target where I won’t get a discount I would go to Bed, Bath, and Beyond or Linens and Things and use 20% off. The first place I would go is where I know they will give me a discount. I would tend to use the 20% off that I receive in the mail – I would more likely use that than go through the flyers of the Sunday paper and see whether or not Kmart or Target or Walmart has it on-sale. I would not do that – Oh,
20\% off, I need a coffee machine and here is a 20\% off coupon... but, that’s me...
sometimes they have 20\% off the entire purchase which is a great way for you to buy
more than one thing.

Devon: Do you think that... say you were paying your insurance bill using this service,
and you paid in advance and received a discount for doing so – but then, you received
an email notification saying that if you paid this much, ever further in advance – that
you would get a double discount, would you do that?

Anita: Yes, I have a perfect example, Cambridge College – bills me for 3 months, and
let’s say $1,800 – and I have a choice to pay the entire or I have a choice to pay it in
installments of 3, $600 each time – but, as I pay that I pay $20 in addition to... so I pay
$620 3 times so, I am always happy to pay the entire because I can... and they have
actually charged me the $60 even after I paid the entire... and of course I called and they
eliminated it – but there was a problem with that because when I called the guy – he
said, “who told you that” that’s what they told me when I first started work – I had not
recorded the name of the individual who had told me that, it was almost like, “well, why
are you saying this to me, I haven’t seen it written anywhere” and I said, “well, I am
telling you that when I signed up for – at your school they told me, here’s the bill but if
you pay it at once you get minus $60 but I see why they also charge $60 if you are going
to pay in increments because they do have to pay their employees – to enter it into the
system 3 times, versus once.

End interview

Micronotes Interview Transcript:

Interview Date: 1/2/08

Gender: Male

Occupation: Decoration Business (owner/sole-proprietor)

1. Can you tell me about your worst experience paying bills? What happened and
why did it bother you so?

I know that we check all of our bills, I believe that in especially, credit cards, Amex,
visa, MC – I believe there is a conspiracy to create fraud with most customers... I
don’t know why ours is but, every month there is a problem, there’s either an
overcharge or fee that is unexplained and every time I call it is waived. I called...
they had a - - we always pay our Visa bill completely... it was received 2 days late, we called them to pay by phone so there was a $14 fee for paying by phone just because of time...that we didn’t... being busy and we rarely pay our bills on the first of the month. Just because it is inconvenient, we want a little time to go through everything. We don’t look forward to it... but, I have always found problems now, I don’t think it’s a conspiracy from the... maybe it is, maybe it isn’t – but, I would say probably most people don’t look at their bills, they just pay them. I am the other way, I look at pretty much everything... very carefully and especially the credit cards.

Devon: So your worst experience is more of a systematic problem you see as just – inappropriate and incorrect billing.

#5: The single event of paying the bills monthly is a pain in the neck... we hate it... we hate it... I would have to say the worst this is... it starts maybe the middle of the month — okay where are we, when do we have to pay... okay, we’ve got 2 weeks, then just easing up to that time and knowing that we have to get them done. Also another problem is having different due dates for certain things, our mortgage is due on the 20th, other bills are due on the 1st, then some are due on the 8th and the 10th. We don’t like to take more than one day to do them... I know some people do them as the day they come in is the day they write the check and they go out. We don’t do that...

Devon: What is it you hate about it?

#5: Parting with the money #1, having to... the reality of what it is you are spending every month. And just not happy with the amount of the cost of living – what is costs for the lifestyle. I think that would be my biggest gripe. Okay, you know – I paid $577 last month for oil, I paid $180 for electricity, I don’t like that... I did may taxes yesterday too... budgeting everything and trying to figure out... keeping it in our account and keeping savings is the biggest thing... you know it’s great when those checks come in but, they have to go out... I am sure that’s a theme... I hate to take the time to do it.

Devon: One common theme that is emerging is the time...

#5: It never ends, it’s every single month. We are right now... a question you might want on our thing... should we be paying on-line. I know it will save some time but, we’ll still have to scrutinize bills like we do... some bills like our oil bill go on our Visa card so that we automatically get the miles for it.. then, it’s easier for me to keep – we’ve changed over putting all our gasoline and all our food and heat are now being paid on Visa so I write one check so every month – I’ll give you an idea of what I do...
this is the 2nd or 3rd month that I’ve done this which is I really want a handle as to what’s going for food, gas, pharmacy, clothing, business expenses on that one particular card and miscellaneous so I have an idea of where...

Devon: You’re actually doing this by hand... taking the bill and deconstructing it into..

#5: Exactly, I have to... I could do it on the computer if I knew how to do it... sometimes people don’t take American Express because some people don’t take it for business – this one particular card. So, um – as far as health insurance and stuff like that... that way, I really want to have a handle on what our food and gas is every month because those costs are starting to skyrocket and its... you know, every time they skyrocket that takes a chunk out of what we are going to be trying to put away... we are at a point in our lives right now where we have to put as much as possibly can away and it’s a battle... It’s like everybody fighting over... whether it’s school or the house or the business or the cars... fighting over the retirement.

Devon: fighting over a finite chuck of cash...

#5: Right...

2. When you think about paying bills, what images come to mind?
   • How do each of these images relate to bill paying?

#5: Sitting there writing the checks and the... sitting there and plowing through... my image is a pile of mail that stacked this high and it ends up being 10 envelopes here, and a pile of trash on the floor. It’s ridiculous the amount of trash... that’s what I visualize.

   • If I ask you to step into the picture, can you tell me what you see around you?
     o What are you doing?
     o What are you thinking?
     o What are you feeling?

#5: I have this great little tool here that opens an envelope, I take out the stuff, I arrange them in order of importance for creditworthiness. I know the first things that is going to be paid is always going to be the mortgage, then the credit cards, so, being in the mortgage business I know that if I am a week late on my electric bill it’s not going to affect my credit rating but, if I’m a week late on my mortgage payment, my mortgage is going to show that a late fee on it, and it’s on there for a year... so,
Devon: So, you’re thinking about – you are actively thinking about your credit rating as you executing bill paying procedures.

#5: Exactly, and that’s where the fear is coming from... from not – if that bill is... they are sitting over there and my mortgage payment is due on the 5th and there is a 15 day grace period – it’s due on the 20th, I have never paid it on the 20th – I am always... if I think I can’t mail it today and it won’t be there by the 5th, I’ll drive it over to Milford and deposit it.

Devon: Wow, you are very rigorous...

#5: I am very understanding about what it can do to your credit... I mean one day late on your mortgage payment it’s – they’ll charge you for 30 days late and it’s not 30 days late, it actually 16 days late...

Devon: You said the word “fear”... so, is that a feeling you have when you are in this process, is there some element of fear?

#5: I would say there is a little bit of fear – of having that number go down, having your credit rating go down and it’s always... a good feeling when it’s finished. Conversely, that task is done and I don’t have to deal with it for another month and that’s why I do like to do it all at once and not a never ending sea of bills that just keep coming in and coming in and coming in.

3. Some people pay bills with personal checks, others through direct withdraw, and still others with differing forms of credit and electronic bill pay services. Can you describe how you pay bills and have you ever had difficulty with the mechanics of paying bills?

#5: All paper right now – we’ve had an ongoing discussion for the past year of whether we should move this over to the internet. Now there are several ways to do it via the internet, you can have the company automatically deduct the money from your account, which we’re not crazy about because we have no control over when they take it out... we do, but we don’t, we are often time on a float... that means that when we pay our bills, is based on the draw we take every month from our company for what we live on. We try to keep as little... we don’t like to deal in cash on hardly anything because we know that if you put 100 bucks in your pocket, it’s gone like that! So what we try to do is keep everything so that we can keep track of everything... lost my train of thought... the float... that’s what we are getting to... usually we don’t know what the bills are until after I sit down and physically write the checks and analyze how much I am going to pay like our car insurance bill is $155 this month – that’s the monthly payment... well, it’s not a monthly payment... it’s like 8 payment or 10 payment a year and there are only 2 payments...
left so I paid $310 instead of, you know, they charge you $4/month to bill it out monthly. Okay, for the $4 times 10 it’s $40 per year but, if I had them deduct it I would save the $4/month but, if they deducted it yesterday, automatically, the money isn’t in the account yet because the checks are sitting over there and I need to make a deposit in to the family checking account. So, that kind of puts a wrench in the paying by internet and paying by having them automatically deduct it... because if they start to take money out and it’s not there I get whacked with a fee and bill still isn’t paid and I have to write a check so I have to be one month ahead that way and I don’t want to be that, I’d rather have the money in the business account in case... if we have an expense that

maybe we keep too much money in our business account... but, that’s where we want it – usually at the end of the year we have to pay taxes and that’s when we determine how much we put in and sock away.

4. Thinking about when you pay your routine bills, do you usually pay long in advance, around the time they are due, and after their due date? Can you describe why you pay when you do – what are your motivations?

#5: It’s always close to the edge; closer to the limit; we try not to go over, but I understand where the grace periods are, around the time they’re due. Our electric bill is chronically late by 4 days. I noticed that our phone bill, electric bill and our cell phones are Comcast bills. Those 3 bills are chronically late about 1 week just because when they’re due, the shutoff is when we send the bill, and time is more conscious, and I know that those bills are not going to affect my credit rating if they’re a week late or a month late, they’re not going to show up on my credit report. If it’s a major credit card, that’s a different story.

Devon: why is that by the way, why is it that a Comcast bill?

#5: it’s because it’s not a credit because you’re not borrowing. It’s not a loan like a mortgage, car payment. Those are the 3 we make sure that are always; the car payment gets paid early because we won’t get the bill until tomorrow, we get it on the 3rd and it’s not due until the 16th but, I don’t want to be paying it on the 16th... I have already figured it into those bills.

Devon: You make the car payment early?

#5: We do pay the car payment early because of the due date...

Devon: But I thought you said you get it on the 3rd and it’s due on the 16th...

#5: But we are usually paying our bills on the 3rd, the second or the 3rd... I don’t want to chance that being late show up on my credit report so that is why I do that... One
day I noticed I opened up my mortgage statement, this was two years ago, I saw a late fee – it was posted a day late so I called them up and asked if there was any way they could deduct that or waive that fee and not report it on my credit report... yeah I can do that... they are very flexible about doing that. The Visa card, they had a $70 finance charge and a $39 late fee, $109 on my Visa card this month. So I called them up – plus there was a $14 fee for a telephone payment – I said look... I don’t want to argue with you, I want to be nice – it’s New Year’s Day... I’ve $109 here that I don’t agree on the fees. The $14... yeah, I understand that I paid it a day and ½ late but, is there anyway you can waive that... he said hold on I’ll see what I can do. I’ll waive the $39 but, I won’t waive the $70. Wait a second, I don’t understand the $70, ever since we have had this card we have never had a balance on it, we always pay you guys... he said, hold on a second, okay, I am going to waive that one too... so, if you are nice to them, they will waive... so, it was $109 that – I was concerned because I didn’t want it to show up late but, on the other hand, the problem that one -- is a systematic problem with that credit card... we send them two checks in the same bill, one is the family bill and one is the... so, like that one bill is sitting upstairs and I need to write another check from the business account to add into there so that the bill is paid in full before I send it off. That’s where the glitch comes in that one credit card. So, if I do that and get it all ready, I got to go over it – or Elyse has come she’s going to go over the bills for the business – where that charge is going because we like to take whatever... $1300 in charges on that bill that go to the business but, that have to be specifically written... okay that was for the Cape Cod mall, that was for the Atrium Mall, that was for Luis Vuiton... so, that’s -- but not everybody takes AMEX... that I don’t use for business, I mean for family... nothing, never, it’s only strictly business but not everybody takes it so we have to...

5. Are you satisfied with the current way you pay bills to these companies/entities? If so, why? If not, why not?

#5: I don’t think anybody is... or would say yes to that one... you might?

Devon: No...we don’t manage liquidity very well... in the ideal world, you would have all your money in a high interest bearing account and one second before the check came in for payment you would transfer the funds...

#5: It’s hard to do...it’s a pain. It’s a pain to do but, it’s also the thing that you want to... when you talk about liquidity – there’s always that fight about how much to put into our savings and where do we put it. I don’t like to put it all in my IRA because I can’t get at the money for another 5 ½ year... 58 ½... I think it is...

6. What do you look for in a company/resource to assist you with paying your bills?
#5: Obviously it would have to be a credible company... and that’s where your going to... didn’t I just hear that ING is having a problem... some of these on-line banks are going under okay, and I think – some of them got whacked... like getting greedy... everyone is saying oh the crisis but they weren’t complaining when they were making all that money... so, I think that the credibility of the company is going to be a huge factor. Obviously security is going to be very key and just about everything falls under those two category I would assume. Other than forgetting a password... still, it doesn’t remove the physical and mechanical part of paying the bills... is it going to be savings or a tree savings and are they growing trees fast enough so it won’t be a problem?

7. Do you think that if your service providers (e.g. rent, phone, internet, insurance) offered you a small discount for paying your bills before their due date, that you would take advantage of these discounts?

#5: Nobody offers that right now... so, I am on the opposite end of the spectrum. There is no incentive for me to pay early. I’ll wait till the absolute last second, why wouldn’t I... I’d rather have it in my account, so, if I thought there was a negligible amount of savings over the course of the year... And I think that’s the way you have to look at it – well, I am saving $12/month on this one + $5/month on this one... doesn’t sound like a lot of money but, if you add it all up and it’s like $948 that you saved last year I’d probably say that’s what we’re going to do because it’s $948 in savings that you... over the cumulative scope of all of the bills. But again, there still has to be scrutiny whether they are charging fees that are not supposed to be charges, charges that are not supposed to be there – like classic example... my cousin and Fred – we went golfing at Maple Gate – the 3 of us went golfing. I paid for mine separately for mine separately on my Visa card, they paid for theirs on their card... Fred paid for his and Carol’s on his Visa card... well, I got my $79 charge on my card and then 2 lines down was $158 charge both for Maple Gate. So, I’m like.. Okay, that’s not VISA trying to rob... there is something happened here... so that night when Fred was here, I asked him if he got his Visa bill -- did they charge you for that, I figured... maybe they just charged my card twice and didn’t charge yours... no, they charged his card too. So, they double dipped on that one. An other one, Jing’s garden – I ordered take-out, brought it back and 2 things weren’t in the order so I called them up and they said that they would credit my account... well, they never credited my account so I called them, I called the credit card company and said hey, they didn’t credit my account – I had to write out a thing and they came back and said they would credit my account and we’ll go to them and if they don’t agree we’ll have to do some mediation so, every – I am going to say that once a month with the corporate AMEX there is a mistake. At least once a month... and
that’s a problem and that’s why I get to say, you know – maybe I am just being my criminal mind at work but I can picture a CEO or the CFO of a company saying “look, just throw a few extra charges in there and see how much sticks” because here’s why... Bank of America... so, usually what I would do... is I would take the checks... $8,000 in bills last month... take a company check down there... okay, here is $8000 – a check made out to me... but, I don’t want you to deposit into this account, I want you to cash it and deposit it as cash because those checks are hitting today and I get my bill and sure enough, there’s late fees and overdraft charges... well I have overdraft protection but there are fees... $39 for this, $39 for that... some months it’s $100. I said wait a second, this happens every single month, the money is always there... it seems to me that you guys just do this because... “we wouldn’t do it for $39”... yeah but, if you have a million customers, that $39MM every month so, that the way I’m looking at it and maybe that’s the way your system is set up. And he’s like, “Oh, I never thought about it that way”... I go well $39 doesn’t seem like a lot but times a million people that $39 million you made last month that you didn’t deserve to... and I can just... my skeptical mind thinks that there’s someone up there thinking, “they’ll never get this one... so just pay it...” and the thing is, you’re not paying it, they are just taking it out of your account because they’ve got you money... this is the bank that’s holding your money in your checking account... the fee based business. It used to be mortgage interest... now it’s fees. So, it’s fees, nickel dime and I am down there once a month and they are taking them off because I’ve got like six accounts there... take them off! They have each individual branch that has that so that’s a good thing that they can do that. So, where as, maybe what you are talking about a bank isn’t it... basically. Aren’t you going to have people’s money?

Devon: I don’t think it’s a bank...

#5: A bank is a good business to be in, I would think – they are always getting bought up by bigger banks. They just keep getting... people are going out and starting banks and getting swallowed up by bigger fish.

8. Please tell me about the best customer rewards program in which you’ve actively participated or wanted to participate? What made it the best?

#5: American Express and a Marriott Visa because those are the only two we have actually used... cumulative savings... I mean real tangible... like a free trip to Europe every couple of years. Like, we are going to Killington, with Anna, and the hotel is free from Marriott. Um, so that’s, you know, I am not paying them their fee because they aren’t making any month on the interest because we are paying the balance down every month but they are making their money charging the vendor so, I am not – they are making plenty of money. My oil company says they’ve got a
rebate program... I said just give me the lowest price, I don’t want a rebate, just give me the lowest price... but he’s not giving it to me but now he’s not so it time to go shopping for a new oil company so, um, I’d say American Express, because they take care of all the... you know... there’s a good support for American Express and Visa?

End of interview

Micronotes Interview Transcript:

Interview Date: 1/3/08

Gender: Female

Occupation: Homemaker

9. Can you tell me about your worst experience paying bills? What happened and why did it bother you so?

#6: I would probably have to say getting a $75 late fee on a bill that was a day late. My Master Card... I don’t pay late fee just as a rule so, of course, I had to get on the phone and callin’ the customer service and asking to speak directly to a manager because the person is going to issue on the system anyway — getting the manager... it always works for me, I have always gotten every late fee taken away but I am sure that there will come a time that these companies are going to start saying — if they pay their bills on time, they really are not our best customers... so they don’t really care if they lose my business... and then I would just cancel the card.

Devon: Because you are assuming that...

#6: They don’t think I am a good customer because I pay my bills on-time, they aren’t making any money on me... but they are making month, I shouldn’t say that I, the credit card company they are making 3% on every purchase so, they are making a lot of money on me if my bills are quite high... so, I guess it depends on behind the scenes. I consider myself a good customer but maybe not. So, just the constant looking at the due date, writing it in the calendar, pay by this due date but having so many companies with different due dates and so many bills it’s a constant struggle.

Devon: Was it that the late fee surprised you or just basically you have a personal policy that I don’t pay late fees and you have to steel yourself to pick up the phone and make the phone call and go through the aggravation.

#6: I don’t pay late fees as a policy when it’s not my fault... well, I shouldn’t say it’s not my fault. Well, I think that there should be a grace period, I think that the
Master Card and Visa companies have such a ridiculous policy of due on this day, that’s it, and I guess maybe it’s because I pay the bill in full every month... what’s a day late but, I am sure that it how they make all their cash and they hear the same sob story over and over every single day from various customers. I consider myself a fair person but late fees to me seem like such a waste of money and maybe I am just mad at my own stupidity for not getting the bill in on time so, it’s a little of everything... and I think that if they say to me, if the card was worth it to me to keep, and they said sorry you are out of luck – it would be up to me to say, is it worth it for me to keep the card? I would respect that decision on their part but then it comes back to my choice as to whether I am going to cancel the card or keep the card... and whether it’s worth it to me or not – so, it’s business, why not try? Whenever I get charged incorrectly or correctly... I was the one who, I was the mistaken one... I never think it hurts to ask...

10. When you think about paying bills, what images come to mind? 

#6: Tedium, sloppy handwriting (my own) just scribbling out the bill just to get it paid, rush... I am never really... I am never just comfortable sitting down, paying, I don’t really think about it, they come it, I stack em up, when I get a chance I pay ‘em.

Devon: where do you sit it a certain place...do you sit?

#6: Anywhere I clear off, It’s a clean space... otherwise I get confused – I am paying with 2 different check books with 2 different accounts I it’s kind of going in 2 different directions so I try to keep it organized so I don’t make mistakes so, I would say there is never sometimes the kids are screaming in the background, and I think for a second no, it’s not organized... but everything is paid on time except for that once in a while when I get a late fee and I say ahh... that’s because my system is not perfect.

Devon: So you’ve got a clear place, you’ve got some bill spread out on that clear place... in that moment, what are you feeling? That I just want to get this done?

#6: Yes, it’s a task, it’s just a task

Devon: Is it a task that you enjoy?

#6: No, not at all... I would say it’s a task that needs to get done similar to emptying the dishwasher... it’s just got to get done. I do like having control over the household finances and I don’t want to screw it up so, I just consider it one of my jobs.
Devon: The other simile has been doing laundry...

#6: Totally... it just never ends it’s always there hanging over your head. Totally just a task.

11. Some people pay bills with personal checks, others through direct withdraw, and still others with differing forms of credit and electronic bill pay services. Can you describe how you pay bills and have you ever had difficulty with the mechanics of paying bills?

#6: Mortgage is electronic (direct withdrawal) – I actually, at our other house on the Cape, the gas is paid electronically... just a couple of account that actually went to the effort of setting up and I am very glad I did are electronic. Pretty much just the mortgage in general, and then everything else is written out by hand.

Devon: Have you ever had the post office lose one of your bills?

#6: Actually, I have never had that happen – I have never had an issue with electronic bill or withdrawal and I remember when I initially set that up – I don’t like giving up control but then to make sure that someone else is paying even...I don’t like escrowing for insurance purposes for the house because I always think, did they get that bill from the town and did they pay my taxes on time... so it’s a little bit of a control thing and that probably why there are certain... I think... it’s kind of a trial building consumer confidence if you have good luck with it... now I don’t worry about it... if you have good luck with it over time then you become more of a convert and you switch everything over and thinking in the back of my mind I always thing, inherently people will do the right thing, if ever there were an issue where my bill wasn’t paid because of human error, I could probably talk my way out of it. I think that I have never had an issue where I haven’t been able to do that... that may be wishful thinking... It’s people doing the right thing with business, you know it comes down to a grace period.

12. Thinking about when you pay your routine bills, do you usually pay long in advance, around the time they are due, and after their due date? Can you describe why you pay when you do – what are your motivations?

#6: Motivation, I usually pay before it’s due but close to the due date – what I have found is the only – some companies, for instance I just paid a couple of bill yesterday, one was for Comcast and that the phone internet and wireless – cable... and they don’t charge late fees. If I mail it out on the day or two they have never
sent me a late fees if it's out of ... and I wonder if there are certain industries that can’t charge late fees, for example, can the electric company charge late fees – I don’t think that they can I think that there is a bigger grace period... because I have never... and who else did I talk to recently who said... another industry that said... we can resubmit the bill but we can’t charge a late fee so I think that some of the utilities – like retailer credit cards... I only have GAP because I get points for it, they charge a late fee and Master Card and Visa charges late fees. Look into utilities, whether or not they charge late fees... I don’t think they do... they can shut off your service over time but, I don’t know if they can charge late fees. To answer your question, and when what happens too... I stack- up the bills and I give them a week or so – and then I’m realizing that the due dates are coming so I just write out whatever bills we have stacked-up and it’s a kind of continuous cycle. I wish I could do it just once a month that I could do it but, it’s just not that way anymore that you can do it that way...

Devon: Do you have any idea how much time you spend in any given month in this process..

#6: No, it’s so random, it’s just part of the day, I am never really saying I have the next 6 hours to pay bills – 5 minutes here, 10 minutes there – yesterday I did 4 bill and ran to the post office and mailed them. But you know I didn’t – I could probably figure it out if you need that answer...

Devon: So the major motivation is avoidance of late fees?

#6: Yes, Yes... absolutely. So they do work...I think what happens most often too – most companies, like Visa and Master Card – and I think they are assuming that most people don’t even look at it and they just pay it because a $75 late fee is absurd... and it used to be $15 alright... so I think Oh, no one’s going to pick up the phone and actually call so I think that the reason that they take it off your bill if you do call is because they probably realize that most people don’t call, most just pay it realizing they were wrong and they can sink it in... which isn’t a bad theory for a business... If someone actually calls to complain they take it off...

13. Are you satisfied with the current way you pay bills to these companies/entities? If so, why? If not, why not?

#6: No, because it has gotten a little bit out of control and if I worked full time I would be doing something completely different because ... I just haven’t set the system up yet... that’s a goal this year actually... [setting up the system on-line]...it’s just too many details to be thinking about all the time to make sure that bill are
being paid on-time... it's a tedious situation that doesn't need to have so much time
and brain energy taken.

14. What do you look for in a company/resource to assist you with paying your bills
on-line?

#6: I would say a monthly statement. In the sense that... my mortgage company
sends me a statement that say... just to show me that paid, paid, paid... when the
insurance was paid so I can keep track of when the taxes were paid.

Devon: Are you looking to make sure that stuff was paid or, some people actually
are looking for a statement which will show them how they spent their money...
literally a P&L, this much on gas, this much on gas, this much on groceries...

#6: No, I don’t want to know that [laughter], no, I should know that and I actually
said this to Mike that we need to do a budget again... maybe I do need to know
that... I just wanted to know... I want to make sure that they say they are paying my
bill, they are paying my bill, without having me call to check on them.

Devon: would that be okay via email?

#6: Sure, yeah... as a confirmation that something has been paid. I guess ease of
customer service.. If I do have an issue, give me a number and a person.

15. Do you think that if your service providers (e.g. rent, phone, internet, insurance)
offered you a small discount for paying your bills before their due date, that you
would take advantage of these discounts?

#6: Yes...it’s getting it paid...I’ll take a discount.

16. Please tell me about the best customer rewards program in which you've
actively participated or wanted to participate? What made it the best?

#6 - Well, our Master Card is a Fidelity 929 account where one point five percent gets
kicked back into the kids college fund... hey, my idea with any of these reward things is,
if the money is going to get spent anyway, give me something for it.. So, we liked that
one the best because the frequent flyer program seemed to be a waste of frequent flyer
miles, hard to use... so that’s the one we use, I am not a big... coupons are only
important to me if it makes it worth my while, if I am going to us a service or buy a
product anyway and I happen to have a coupon great but, it wouldn’t incentivize me to
do anything differently... you know what I am saying, in other words, when I go through
the sales circulars and I am cutting out coupons I never clip anything that I wouldn’t
normally be getting anyway... because to me... for instance a big sale on cookies... well, if we don’t usually get them... big deal. Or, a coupon to go to Best Bob or whatever that store is... that always has 25% off coupons... it gets to the point where if they always offer a discount then does any ever pay full price in that store anymore? I think that they... it would be interesting to me to find this out... if a store like Bob’s or Linens and Things or Macy’s which always has a coupon available... does the person walk in and just buy one thing with that coupon and walk out or are they actually buying a ton of things because they are in that store... any maybe it just getting the person in the store that wouldn’t normally come in but, I think that those things are overpriced to begin with because the stores that continuously do that price their stuff up 20%... but you know what I am saying? Bring people in to get the discount...

Devon: so, to that example, you would not change your buying behavior based on a Linens and Things 20% off coupon...

#6: Not at all, if I had to go to that store...

Devon: So if you needed a coffee maker, you wouldn’t veer away from Target to go to Linens and Things because you happen to have a 20% off coupon...

#6: No, I would assume that it is 20% higher than target and it is... but, if I happen to be in the area and I need a coffee maker and I happen to have a coupon... the same price with the coupon, then I would buy it... but, you know you are getting rooked... unless you are getting that one item.

Micronotes Interview Transcript

Interview Date: 1-5-2008

Gender: female & male

Occupation: Office Administrative & Machine Operator

17. Can you tell me about your worst experience paying bills? What happened and why did it bother you so?
   (In this household, both pay the bills)
   #8: I don’t remember a bad experience says the female, do you? (asking the male), he answers; no;
   Devon: because some people talk about having late charges, because someone received a bill late...

   #8: actually we try to pay the bills on time always, that’s why we both pay the bills because he would say “oh, don’t forget to pay the bill, so that if I forget, the next
day, he tries to check for himself, so we try to pay the bills on time, and we’ve never had like late fees since we’ve been married; (25 years)

Devon: do you have credit cards?

#8: yes we do.
Devon: so, you must always pay those on time.
#8: oh yes,
Devon: that’s one big thing that people have said like if they’re one day late, the credit card co. tries to charge....
#8: we try not to charge a lot; we charge very little; we try to pay cash as much as we can. And whenever we charge anything; for example if we have on travel, we usually have to charge it, but once we get the bill, we pay once or twice because we don’t want any fee or interest so we rarely use the credit card, it’s good to have but I try not to use it as much as other people do, like charge $2.00 for coffee and I see that all the time, $6.00 for a bottle of milk, charge, charge....

Devon: some people think about that as a way of managing their, they know where their expenses are going...
#8: yeah! But we see it more for emergencies, like if we have a problem with the car repair, stuff like that, that’s when we use the credit card, and we try to pay the bill as soon as we get it. Most bills we pay by checks.

18. When you think about paying bills, what images come to mind?

#8: I think like I have to pay the bill today, or here it comes again, as soon as you pay one, you pay 2-3 bills today, tomorrow there’s another arriving and I go “not again” but that’s life, you have to pay your bills, I really don’t think much about it, it comes, you have to pay whether you like or not; we just try to pay the bill on time, because we have a section where we put the bills on the right today and in the back, those bills have already been paid, so that everything that is in the front have to be paid. So we check and know whether we have some bills that need to be paid.

Devon: some people have said that they hate paying bills, because they hate parting with money...they think that they’re paying too much...do you have any of those feelings?

#8: well sometimes, for example in the winter time when we get the bill for heating, oh my god, this much, that’s the only thing that bothers us, sometimes oh my god, why is the electrical bill so much? It is mostly the heating bill in the winter time, heating bills
are horrendous, it’s too much, I don’t want to be cold, oh my god, it’s too much, but what can you do? No it does not bother me (to pay bills).

Devon: so you say that you pay your bills by hand-written checks, put them in the envelope, and mail them?

#8: yes

Devon; Do you have anything that is direct withdrawal or ?

#8: no, we have thought about it but have not done it.

Devon: what would prevent you from doing it, or why have you not want to do it? Your system works pretty well?

#8: Actually yes. When you pay on line, it seems to me that there’s too much information about you... and I try to minimize that as much as I can..

Devon: so on line security is a concern?

#8: Yes. That is not to say that it would not do someday because a lot of people are doing it and I have not heard... but I think that’s too much information; the less they have on me (not that I have anything to hide) but it does not bother me writing the checks.

Devon: some people use online services, they like to use programs that help them budget, because by doing that you know that you spend this much on gas, or this much on ... so you must have a different way of budgeting because you’re not doing that but you obviously budget very well...

#8: yes we do.

Devon: do you sort of decide this is how much you’re going to budget this month...?

#8: exactly, well actually we have our expenses are almost always the same, so we have an idea, so for example today, we stop at the bank, he had to deposit his check and then he took some cash money for the week, so whatever is there, we know that we have to pay, for example we just paid our mortgage, we have to pay the bills, buy food, so we know how much to put there and how much to take with us, so whenever we’re writing the checks, we know that we have enough to cover the mortgage, the bills, any
other little things that comes along, a present, a gift for somebody, you know....stuff like that.

Devon: If you see a big heating bill, do you ever go back into your checking book and see what the previous bills were? Just to compare them.

#8: actually, he does that more than I do (speaking about the husband), but for example as it gets colder, we pay more month to month for heating. We try to save also, for example, I leave the house at 7:45 am to go to work, he’s working at 11:00 and he has to leave the house by latest 10:30 am, so he lowers the heat, so when I come home I put it up; he does not turn it off, just to save, and you hear about that all the time, on TV to save so as soon as I get home I put it to normal.

Devon: So, #8 (husband), when you go back to check what you paid earlier (previous months) for gas usages or changes in price or both? Like for example do you try to find another heating company or do you just do it for your own record keeping?

#8: yes, for my own record keeping; we have gas not oil. And we try to save because everything is going up, up, but what can we do? We’re thankful tat we have jobs.

• If I ask you to step into the picture, can you tell me what you see around you?
  o What are you doing?
  o What are you thinking?
  o What are you feeling?

19. Some people pay bills with personal checks, others through direct withdraw, and still others with differing forms of credit and electronic bill pay services. Can you describe how you pay bills and have you ever had difficulty with the mechanics of paying bills?

20. Thinking about when you pay your routine bills, do you usually pay long in advance, around the time they are due, and after their due date? Can you describe why you pay when you do – what are your motivations? You must pay them in advance because you’ve never had a late fee?

#8:Oh yes, we’ve had had late fee charges because we forgot to pay the bills, but what I mean is that we’ve never had a bounce check. But we have gotten late fees, but not much because most of the time because for example if the bills is due today, the fifth and I pay it today, by the time they get it, the new bill has already been
processed., so this $25.00 is going to show in the next bill also, because I sent it too late, and they add the $25.00 it will be $50.00; it has happened a few times....

Devon: so what do you do when you get a late fee or charge? Do you call the co. up or do you just pay it?

#8: sometimes if it’s the cable company, I go there directly and pay the bill without the late fee; just the amount and because sometimes they waive the fee, if he’s out and about running some errands, he stops by the cable company and pays the bill, he does that a lot.

Devon: sounds like you’re are smarter than most people; you’re are very diligent.

21. Are you satisfied with the current way you pay bills to these companies/entities? If so, why? If not, why not?

#8: Yes, it’s the only way I know; it’s the only way that I’ve been using all this time, I have no problem.

Devon: If you were to move to an online service, if you had a good reason to do that, what would you be looking for in that company, it sounds like security would be very important.

#8: Absolutely, absolutely,

Devon: would you also be looking for an online service?

#8: I guess, good service, but security is #1 concern and since I’ve never done it....

Devon: do you do stuff on line now?

#8: No, we don’t have a home computer yet. Actually, we’ve thinking about it.

Devon: so, if you did do something on line at the moment, you would actually have to use your computer at work.

#8: yes
22. What do you look for in a company/resource to assist you with paying your bills?
23. Do you think that if your service providers (e.g. rent, phone, internet, insurance) offered you a small discount for paying your bills before their due date, that you would take advantage of these discounts?

#8: If I was paying my bills on line, yes, if I have to save, I would take the discount

Devon: by paying ahead of time, would you be likely to do that?

#8: yeah! If I had a computer, I’d have to learn how to do it and if you’re going to save us a few dollars, why not?

24. Please tell me about the best customer rewards program in which you've actively participated or wanted to participate? What made it the best? The reason I ask is because it’s like a customer reward program....it’s just cheaper.

#8: No

Micronotes Interview Transcript

Interview Date: 1-5-2008

Gender: ______female______________________________

Occupation: _Bookkeeper/Interpreter______________________________

25. Can you tell me about your worst experience paying bills? What happened and why did it bother you so?

#10: I've had a situation; this is what happened I have two different accounts with Macy’s. I used to have one with the old Filene’s and then when Filene’s bought Macy’s and instead of consolidating the two into one account, I had the old Filene’s pass into a different number, so the bills are due like a few days apart, and I usually pay them at the same time, so what happened is that the clerk did not pay attention to the account number, she applied both payments to the same account number, so one was all paid and the other one .... got nothing applied to; and then I got a late notice that I did not pay my bill and then I checked my receipt and saw the problem. I went through a lot of aggravations and the meantime they put a late fee on my account, and the aggravations to go through all that which it was simple and I had to go through the aggravation to try to explain to them in order for them to take care of that, so now I make sure that I give it to them separate and I tell them that this is for this account and I don’t know what
they’re doing in the computer over there because I am not watching that, so that it can happen again...

Devon: so now you send them in different envelopes?....

#10: I always have them in different envelopes, different checks, different check numbers, and I even write my check number on the memo section, but the clerk did not pay attention and I paid at the store of course, and I think that if I had sent it directly to the company, it’d have been different.

26. When you think about paying bills, what images come to mind?

#10: Sometimes it is overwhelming because not only do I have my personal bills, I have to take care of my mother’s bills and I have to make sure that there is enough money to cover all the bills and that they’re paid on time, and my life is so hectic that I am afraid that I’m going to forget to pay a bill on time because of your credit and because of the late fees and especially regarding my mom’s bills, I feel responsible to care for her, I want to make sure that both her bills and mine are paid on time, so it’s overwhelming for me. Also I worry that there’s enough money to cover the bills...

Devon: So when you actually pay the bills, how do you do it? Do you sit in a certain place and stack them up, sort them up or every once a while you grab them and pay them?....

#10: sometimes, because I know that certain bills are due around the same time, so when the bills come, I keep them together and a lot of times I highlight outside the envelopes, or I put the due date, and like I say, I have mine and my Mom’s bills, it is easier to just overlook them sometimes. But the problem with that with me personally is because all I do at work is pay bills, and when I get at home sometimes I don’t want to deal with that. Sometimes I put things away because I don’t want to deal with this, I’ll deal with it later and sometimes I do forget. And sometimes in the middle of the night I wake up and say Oh my God, I have this and that to pay. And I used to be more organized before I have so much to do, things are getting out of hand sometimes. It stresses me out when I know that certain bills are not paid and others are not paid on time....

• If I ask you to step into the picture, can you tell me what you see around you?
  o What are you doing?
  o What are you thinking?
  o What are you feeling?
27. Some people pay bills with personal checks, others through direct withdraw, and still others with differing forms of credit and electronic bill pay services. Can you describe how you pay bills and have you ever had difficulty with the mechanics of paying bills?

#10: Most of the time, I write checks and I mail my bills out but sometimes if it’s a bill that I can pay over the phone, it’s easier like T-Mobile, I just call customer service and I call in my payment. Certain utilities bill have to be mailed, but I used to pay them personally at the supermarket, but somehow, I don’t know what happened, they change that, they don’t want to accept checks anymore, it has to be cash only, so to me it does not make sense. You could even pay your cable, gas and electric bills but to me it is no longer worth it, so I just everything from the checkbook and some of them I will use my master card and pay over the phone, my debit card...

Devon: so you use the phone quite a bit to pay your bills? Do you worry about the charges for the phone uses?

#10: Yes, actually that is the first question I ask; it depends on the company. Some companies, if you pay electronically systems and you follow the prompts, you don’t have to pay anything and sometimes with certain credit card if you pay over the phone and you know that it is not going to get there on time, so instead of taking the chance that the bill will get there late, then you have to pay the late fees which is a lot of money, so you take all that in consideration, so that sometimes, you’re better off paying the $15.00 to pay it over the phone and you know that it is going to be there on time.

Devon: have you ever received a late fee on a credit card and call them up for to remove it?

#10: Yes, actually that happened to me with a company and I always try to pay my bills on time but sometimes things happen and with this particular company, I paid the bill over the week-end and somehow it does not count during the week-end, it has to be during the business days, so I did not realize that and I received a late fee because it was supposed to be paid on a Friday instead of a Saturday, so I called because I have a good credit history, I always pay my bills on time, so they waived the charges.

28. Thinking about when you pay your routine bills, do you usually pay long in advance, around the time they are due, and after their due date? Can you describe why you pay when you do – what are your motivations?
#10: I try to pay them before their due date to make sure that they're there on time, but sometimes financially you're not able to do that, but I am mindful of that and I know that it has to be paid on a certain date, and I watch for that and if I am not able to pay it on time by sending it 10 business days ahead to give it time to get there, that's when I make the phone call if I am going to be last minute that's when I make the phone calls.

Devon: what is your motivation for paying your bills early? Is it to avoid the late fees or is that really your motivation to ....?

#10: To me it is a peace of mind to know that it's paid and it is out of the way, I can concentrate on something else and I can move on.

Devon: some people I have talked to have said things like doing the laundry, emptying the dishwasher.... Another household chore that has to be done? How do you think of bill paying?

#10: I don’t think of it as a household chore; it is an obligation that has to be met. I think of it differently.

29. Are you satisfied with the current way you pay bills to these companies/entities? If so, why? If not, why not?

#10: No, I am not satisfied because I think I have tried to pay electronically, but I have to admit that I am lazy when it comes to that. At work I use quickbooks and it is different. I also write checks. I type them up and print through quickbook, and it would be faster on line but for accounting purposes I think that it is best to keep practices of things like that....

Devon: Do you make copies of the checks?

#10: the check has three parts; there’s the actual check, the middle part is like a memo and there’s the bottom part which we keep for our copy that we keep with ..,

Devon: so you run an electronic system and a paper system in parallel?

#10: Exactly and I file it and I know that if I’d done it electronically, it would avoid all that paperwork and somehow my boss is very old fashioned and we’re comfortable, and in a way I know for myself to make things easier and since I am overwhelmed with so much work maybe it would best if I did it electronically but we’ve never looked into it, but if I approach him (boss) and told him, I am sure that he’d go for it, but ....
30. What do you look for in a company/resource to assist you with paying your bills?

Devon: If you were to go online personally, what would you look for in a company to get on line? Some people talk about security, some people talk about ease of use....

#10: one of the main reasons that I don’t really look into paying my own bills on line is security. Identity theft and all that stuff... somehow, I don’t feel secure... feel that it’s still not safe because even when I pay over the phone and I have to give them my social [security] number and all that... you never know... let’s say if I am doing my bank, if I want to transfer from one account to another, you have to give that over the phone. It’s just that, even though they work for the company, they are supposed to be.... But, you never know how that person is going to use that information so one of the reasons that I particularly don’t pay is that I don’t feel safe with that. [if I did go on line, I would really pay attention to security and security procedures...] and customer service... it’s very important how people handle things and how courteous they are... and, which most of the time, they treat you well because they want you to come back...

31. Do you think that if your service providers (e.g. rent, phone, internet, insurance) offered you a small discount for paying your bills before their due date, that you would take advantage of these discounts?

#10: Absolutely, actually at work – I look for that. If I know a bill is paid within a certain amount – or date and you’re going to get a discount off so much... my boss doesn’t even know that but, I always look for that... yeah... it’s an incentive to pay the bill ahead of time.

32. Please tell me about the best customer rewards program in which you've actively participated or wanted to participate? What made it the best?

#10: I know that American Express does that but I don’t have an American Express because I know that it’s one of those that you have to pay as you... and I can’t afford that. But, as far as that rewards – nowadays I know that a lot of companies are doing it... I particularly would have to say CVS... I know its not much of a... but still, they give you rewards so it’s like... you spend so much and get rewards... though you are not expecting them so it comes in handy... sometimes they send me... I get a $10 off the next purchase... $5... and it’s like coupons that... the only thing I don’t like about that is that they put a certain amount of time, I don’t know how many days...
if it’s a week or two to use that and sometimes I’ll wait and the time expires and I’ll lose it but, it’s good, if you know that a particular company is doing that – that’s where you want to go spend your dollar because they make it worthwhile and they give you an inventive to work with them.

Micronotes Interview Transcript

Interview Date: 1/9/08

Gender: Male

Occupation: Computer Consultant

33. Can you tell me about your worst experience paying bills? What happened and why did it bother you so?

#14 The worst experience paying bills is when you get all your envelopes ready in the mail and one of them falls down in the seat of your car and your on your way to the post office and you may have missed and you’re paranoid that you did not pay your mortgage for that month.

Devon: Have you ever had any situations where a payment arrives a little bit late and you get whacked with a fee.

#14: I should pay a little bit more attention but I don’t. I tend to be a little lax. I should care more about all of these things, I just don’t get stressed out, even if I miss my mortgage bill, I don’t care. I mean I used to years ago; I used to get stressed out about all these things, like credit rating and all that, I just don’t care anymore. It’s nice. We’re doing fine and I am not going to stress out and I understand that it is a problem that most people worry about.

Devon: when you get a credit card bill, do you look at carefully to see what charges were made and not made?

#14: I do once in a while but I am not very good at that. I’ll do a big check for big numbers and say “what the hell is that”? but I almost do it sporadically, I tend to do things every couple months. I tend to do things very automatically, I look, that make sense. I have a rough idea of what things should be but I am not very detailed like a business.

34. When you think about paying bills, what images come to mind?
#14: It is negative because it uses up about one hour and minutes of my very precious time which is the main incentive for me considering this online thing.

- If I ask you to step into the picture, can you tell me what you see around you?
  - What are you doing?
  - What are you thinking?
  - What are you feeling?

#14: I’m kind of the systematically analytic type; you see this is many project program; so the first thing I do is an inventorying and a gathering because the kids getting the mail, the wife, the stuff is all over, so the biggest problem is finding them all and separating the chaff from the wheat actually take more time; I try to get better at that; I try to stash them to make sure that they’re all at one place; I do it the last week of the month. I get them all, I open them all and at the same time I am discarding tons of garbage and I put a nice pile of just the bills, the envelopes; I do that as the second phase after the second part after the gathering and I actually do the check writing and then the 4th step, I package everything like the stamps; and the 5th thing I have an excel spreadsheet that I update every month with categories on what we pay...

Devon: so you’re on an offline spreadsheet?

#14: yeah! I have a standard payment Nstar every month and I have a little column for incidentals, and if I add it up I can very quickly get a view of....

Devon: So you basically built your own quicken?

#14: It’s hard to do quicken; I don’t need it because we probably pay between 15 and 20 envelopes a month and it is almost the only time I write checks.

Devon: so how do you feel?

#14: I am in a hurry. I don’t like it. I don’t like administrative business types stuff because I can be writing software, reading, music, looking at an art book, talking to you. Life is too short.

Devon: so right now, you are 100% check based?

#14: yes.
Some people pay bills with personal checks, others through direct withdraw, and still others with differing forms of credit and electronic bill pay services. Can you describe how you pay bills and have you ever had difficulty with the mechanics of paying bills?

#14: no problem. The only one that carries a lot of weight is the mortgage; I really take care of it but the rest I could not care less.

35. Thinking about when you pay your routine bills, do you usually pay long in advance, around the time they are due, and after their due date? Can you describe why you pay when you do – what are your motivations?

#14: I pay a week before. I fit something in the schedule before they’re due. I don’t like paying bills late; I have a thing about that and that’s why I fit in the last week/month; unfortunately my cycle is not the same as my paying system so some of the ones, I might incur and be a little bit late with the credit card once in a while but I genuinely pay those on time so....

Devon: Do you try to negotiate out the fees?

#14: No, I just pay them. Let’s say I look at the calendar and I know that I have a trip, I usually will pay the bills on the 3rd week.

36. Are you satisfied with the current way you pay bills to these companies/entities? If so, why? If not, why not?

#14: No I am not and that’s why I am probably going to change and do the online thing and it’s my vague understanding that there’s a central.... You can set these things up with Bank of America; you can set up a very easy system; I am not crazy about doing the internet especially this kind. There is something I’d like to add and I think it might be helpful: there is something about the Brick and Mortar feeling review that I believe is good and on line you can get too easy in this point and click mode and just get through with it. And so I am going to remind myself to still apply a little bit of scrutiny that I think ... happens more with paper.

Devon: that’s a good point and any scrutiny that we can automate would be good.

#14: Once you track all of this stuff, you can probably capture everything...
37. What do you look for in a company/resource to assist you with paying your bills?

#14: I understand that my bank (bank of America) offers something and I was not going to look any further. Or maybe partial; there may be some bills I’d want to pay by hand....

38. Do you think that if your service providers (e.g. rent, phone, internet, insurance) offered you a small discount for paying your bills before their due date, that you would take advantage of these discounts?

#14: There’s a good chance that I would.

39. Please tell me about the best customer rewards program in which you've actively participated or wanted to participate? What made it the best? Some type of reward programs?

#14: once again, I am not a great candidate for these things because I don’t care. I buy a lot of books, so Barnes and Nobles sends me these cards with discounts; I have a membership card and these discount cards, so that is one of those significant things because I have this thing with books. It’s useful and pretty easy to use. I’d be a knuckle head if I did not use these discounts.

Micronotes Interview Transcript

Interview Date:

Gender: _Female #12______________________________

Occupation: _Retired/part-time sales at a bridal boutique

40. Can you tell me about your worst experience paying bills? What happened and why did it bother you so?

#12: The only one that I can think of happened a couple of months ago a bank statement; it said that I had taken out $1200.00 from ...the guy at the bank had witnessed because I did not have a check, and it was supposed to be for $200.00 and now it is $1200.00 and I’m getting a $1000.00 less than I already had and they’re trying to make it right to figure out how that happened...they say (bank) that I don’t have to worry about it since they’re trying to make it right....
Devon: In terms of paying household chores bills, it doesn’t look like you’ve had any horror stories?

#12: not really. At one point, a couple of years ago, they decided that if they did not have something within 2 or 3 days, I had moved something, that was some kind of horror story, I called them up and of course they made it right away. They realized that I pay mine on time all the time. I don’t have any horror stories really.

41. When you think about paying bills, what images come to mind?

#12: I never think about it. I just know what I had spent and I sit and work them out; and that’s it. I have these fixed items. I don’t have a cell phone or stuff like that. I don’t have a problem with that.

Devon: How do you pay bills?

#12: I collect them all and pay them off around the 5th; except that I receive one around the 8th or the 9th and then I pay that one and all on time.

Devon: A lot of people really dislike the process, so it does not seem that you dislike the process?

#12: I just don’t because I know that I have to do it and I can’t worry about stuff like that.

- If I ask you to step into the picture, can you tell me what you see around you?
  - What are you doing?
  - What are you thinking?
  - What are you feeling?

42. Some people pay bills with personal checks, others through direct withdraw, and still others with differing forms of credit and electronic bill pay services. Can you describe how you pay bills and have you ever had difficulty with the mechanics of paying bills?

#12: I have a couple of my things like my car insurance and they take it out of my account and I don’t take anything else from the account. I just like 7 checks and that’s all. Mostly paper checks.
43. Thinking about when you pay your routine bills, do you usually pay long in advance, around the time they are due, and after their due date? Can you describe why you pay when you do – what are your motivations?

#12: I pretty much pay around the 4th or 5th of every month and one more bill comes around the 8th and I pay it right away and ....no problem I just believe of keeping up with it.

44. Are you satisfied with the current way you pay bills to these companies/entities? If so, why? If not, why not?

#12: Absolutely. I know that there new ways of paying on the computer but old people don’t do it on the computer if they don’t have one. Most people do but I don’t, what would I do with a computer.

45. What do you look for in a company/resource to assist you with paying your bills?

46. Do you think that if your service providers (e.g. rent, phone, internet, insurance) offered you a small discount for paying your bills before their due date, that you would take advantage of these discounts?

#12: I might but I don’t have that problem because I’ve never heard of such a thing.

47. Please tell me about the best customer rewards program in which you’ve actively participated or wanted to participate? What made it the best? Some type of reward programs?

#12: I don’t have that (frequent flyers). I think that the credit card companies don’t let people know about those things unless you don’t pay all that you owe every month but I pay them off every month. I can’t be bothered with all that.

Micronotes Interview Transcript

Interview Date: 1/10/08

Gender: Female

Occupation: Librarian

48. Can you tell me about your worst experience paying bills? What happened and why did it bother you so?
#17: In my situation, I get a set of bills towards the end of the month over and over the same ones. So I set aside time and I pay all of them at once because the ripple in that is that the credit card company is always a week late so it does not fit into my workflow so, but so far in the recent years I can’t recall a trauma in bill paying.

Devon: Have you ever had a situation where you received a late charge on a credit card and had to call them to try to negotiate that?

#17: Once or twice and once it was a small amount like 25 cents for something that was left over and the Rep said we’ll just take care of this for you.

49. When you think about paying bills, what images come to mind?

#17: Tedious. It’s tedious, it’s a set of block of time; I like to do it and get it over and done with. So tedious but since I have my routine down pact, I am not usually inspecting the bills too closely, or I might examine electricity and gas and I get anxious that I am being overcharged. I look at the phone bill, I look at a few numbers and say” I am not sure that I made those calls, but the amount is usually not so much that I feel it’s worth undertaking the hassle of calling the company. That happens once in a while but not a lot. I’ve never had anything appear on the credit card that I was not sure about; but I do my credit cards, I take all my stubs and I match them up against the bill and you can see that it is a very labor intense.... I am detailed oriented and careful.

Devon: when you’re in the process of paying bills, what do you do? Where do you sit, envelopes, stamps, trash etc....?

#17: I am afraid so. I have a stack of bills, and probably not as neat as I should, I have them in a basket with the stamps....

Devon: So when you’re executing the bill paying, what are feeling?

#17: I am pushing myself just to stay focused on the numbers, on the bills, and making sure that my check matches up, that I don’t put the wrong number. I am very processed and focused on keeping track of that; so there is no snacking, it is real work.

Devon: Do you listen to music when you pay bills?

#17: No, it is quiet. I keep telling myself “keep going, keep going”, sometimes I will time myself to see if I can cut this back (process), what can I do to speed this up? I
still do the paper check, and I think of myself that I should get a rubber stamp for the return address, my stamps and ....

Devon: did you figure out how much time it takes you to pay bills?

#17: My stamp has been ordered but usually it is at least an hour for everything. Well if I know how long it takes then I think of how I can minimize this.

Devon: Are you a100% paper based?

#17: yes.

Devon: some people are 100% paper based but they have some stuff deducted like their mortgage...out of their account.

#17: 100% paper.

• If I ask you to step into the picture, can you tell me what you see around you?
  o What are you doing?
  o What are you thinking?
  o What are you feeling?

50. Some people pay bills with personal checks, others through direct withdraw, and still others with differing forms of credit and electronic bill pay services. Can you describe how you pay bills and have you ever had difficulty with the mechanics of paying bills?

51. Thinking about when you pay your routine bills, do you usually pay long in advance, around the time they are due, and after their due date? Can you describe why you pay when you do – what are your motivations?
#17: I pay them shortly after I have confirmation that my paycheck was deposited.

Devon: You are actually not looking at due dates, but at cash inflow?

#17: yes and the cash inflow at my work are the last 2 business day of the month, which means these things these pile up, so that means that the 1st or the 2nd of the month, I work through them which is why I get annoyed with the credit card company because their bill does not reach me until let’s say the 6th or 7th of the month.
Devon: so that this mean that you do all of your bills at one sitting and the credit card bill at another sitting?

#17: yes.

52. Are you satisfied with the current way you pay bills to these companies/entities? If so, why? If not, why not?
#17: Well it’s tedious and disagreeable and let me add that after I pay these bills, some of them I just throw out, like I no longer save electric bills, but I do save the credit card bill and the mortgage statement and I have a file system because ... it all fit; if there’s ever a question, I want to be able to say that I paid it on such a date with the check number... so if there were a way that I could feel relieved or assured of payment without having to do all that filing every month, I would love that.

Devon: that is a recurring theme... Have you given any thought in going online?

#17: Not at the moment. I don’t yet have a home computer; that’s one of my projects for this month is to purchase a lap top for the home. Once I do that I’ll start rethinking about that.

Devon: Assuming you move to online, what will you be looking for in an online service?

#17: Security would absolutely be essential. Time efficiency and the ability to track myself, to track all of us involved in the process.

53. What do you look for in a company/resource to assist you with paying your bills?

54. Do you think that if your service providers (e.g. rent, phone, internet, insurance) offered you a small discount for paying your bills before their due date, that you would take advantage of these discounts?

#17: I would consider it and I’d have to restructure my finances a little bit, but...

Devon: how would you restructure your finances? It sounds like you’re paying your bills early now? (because of when she gets her paycheck deposited in her account). It sounds as if you’re consistently paying about a week early?
Yes. The due dates are usually the 15th and I am getting the sense that they credit my accounts around the 7th or the 8th; but if I get a discount for doing that would be cool.

Devon: Now I understand why you have not had any horror story. You always pay early because of your cash inflow; you’re diligent, efficient and wonderful about bill paying.

#17: now maybe, I can get a reward for being early.

Devon: That’s what I am trying to figure out.

55. Please tell me about the best customer rewards program in which you've actively participated or wanted to participate? What made it the best? Some type of reward programs?

#17: I don’t do that. I tend not to trust those kinds of offers. I tend to fear them because they will involve me in all kinds of forms fill out and divulging all kinds of information and the things they offer have not caught my attention. I get the Harvard bookstore where I build up a discount and I have a CVS reward card, but I don’t see myself being rewarded but I see CVS collecting marketing information on me and then they send me a coupon and it is usually not stuff I want. I am funny that way.

Micronotes Interview Transcript
Interview Date: 1/9/09
Gender: Female
Occupation: Controller

56. Can you tell me about your worst experience paying bills? What happened and why did it bother you so?

#16: I think that it is usually when you kind of miss the due date and then you get slapped with a $25.00 late fee from credit card companies especially the store ones.

Devon: When that happens to you, what do you do?

#16: I end up paying just because I am so busy, I don’t have time but I’ve basically learned my lesson that I am not going to use ... because they entice you sometimes to get credit card in stores like Macy’s then you can take 15% off and that’s
tempting so I know that it is going to come back and haunt me, that 15% that I am saving, I’m going to...they’re going to make me miss the payment by one day so that they’re going to charge me the $25.00 so I’ve basically decided that I am not going to charge anything whatsoever so I try not to carry a balance.

57. When you think about paying bills, what images come to mind?

#16: Just paying. Somebody taking your money.

- If I ask you to step into the picture, can you tell me what you see around you?
  - What are you doing?
  - What are you thinking?
  - What are you feeling?

#16: I usually pay my bills once a month. I have started doing online bill pay for a while now. I usually sit in my study and I have all the bills, so I go through them and see what needs to be paid and I put them on a pile and go to Bank of America and click, click so paid. I used to keep a register, I don’t do that anymore. I am basically trusting that the bank record keeping is accurate.

Devon: so you use your Bank of America system that’s part of your checking and savings?

#16: yes, checking and savings.

Devon: Do you still have bills that you write check for?

#16: No but for some bills like for example, we are in the process of doing college applications and a lot of the colleges accept on line payments but two did not and I had to write checks for; or stuff like the cleaning lady, those kinds of things, you have to write a check.

Devon: How do you feel when you’re paying bills? Is this another chore? Or ....

#16: For me in particular because I am so busy, it is a real chore; the online billpay has reduced the hassle but you have to keep up with it.

58. Some people pay bills with personal checks, others through direct withdraw, and still others with differing forms of credit and electronic bill pay services. Can you describe how you pay bills and have you ever had difficulty with the mechanics of paying bills?
59. Thinking about **when** you pay your routine bills, do you usually pay long in advance, around the time they are due, and after their due date? Can you describe why you pay when you do – what are your motivations?

#16: By the way certain things that are recurring like the mortgage, I set those up as repeat payment so that I never miss a payment. Based on experience like with my American Express bill, Diner’s Club for [name of company where interviewee currently works], sometimes the balance piles up and I either become past due or with American Express you forfeit your membership miles, so I have to mentally remember that when I go on line to check my balances, and because I am not a typical person at all, I don’t economize at all, it is mostly convenience, I make sure that I cover problem areas, so I may not even have time to remember the exact balance, and based on memory, I just go to my bank and pay x amount for American Express.

Devon: so what you do let’s say you have 3 credit cards, you actually set up a balance above what you have to pay and then when you get around to it you actually look at the statement?.... and you do that because you’re busy and you don’t want to miss anything?

#16: Yes. I don’t want to get late charges and past due statement or miss out on the miles.

60. Are you satisfied with the current way you pay bills to these companies/entities? If so, why? If not, why not?

#16: No. I would like to receive my bills directly into Bank of America because instead of sending you paper bills, they can send the bills to Bank of America, I have not had the time to set those up... It would reduce paper around the house and also remembering....

Devon: When you went on line, what were you looking for?

#16: Just faster. Security was never a concern because I basically do online shopping, do online electronic transfers, things like that, so I am more trusting than probably your average person.
61. What do you look for in a company/resource to assist you with paying your bills?

62. Do you think that if your service providers (e.g. rent, phone, internet, insurance) offered you a small discount for paying your bills before their due date, that you would take advantage of these discounts?

#16: I think so; especially if I am reminded and there's an automatic deduction.

63. Please tell me about the best customer rewards program in which you've actively participated or wanted to participate? What made it the best?

Some type of reward programs?

#16: American Express miles and my husband has Bank of America membership miles; some stores like Macy's if you earn frequent buying points, is an incentive and is tempting and unlike what I was saying earlier about their late fees (at Macy's), by charging more you also get more reward, a lot of coupons and you can get money back for all of the points .....(the battery is dead).

Devon: The battery is dead but it's OK because it was the last question.

Micronotes Interview Transcript

Interview Date: 1/9/08

Gender: Male

Occupation: Laboratory Director

64. Can you tell me about your worst experience paying bills? What happened and why did it bother you so?

#15: I thought about that and I never really had a bad experience except for being late for a payment and losing my 8% permanent rate because it was in the early days of internet online payment and they still had the 5 day leap on actually crediting that money, so I paid 2-3 days before the due date but it bounced over and for that I lost my 8% and it turned into a 15% variable instead of 8% constant; that was bad.

65. When you think about paying bills, what images come to mind?
#15: No images really. The thought about that is a very abstract one and I have feeling about it but no images.

Devon: What are your feelings?

#15: Bored and annoyed because it is an absolute annoying thing to do and it is a complete waste of time. And the image may be of a paper pusher and a dusty stacks of papers ....

- If I ask you to step into the picture, can you tell me what you see around you?
  - What are you doing?
  - What are you thinking?
  - What are you feeling?

#15: I try to do most of the stuff online and automate it particularly, not just monthly online payments but I really try to automate it so for the few bills I do have to pay I sit down at my desk, I take my checkbook out of the drawer and I my stamps in the other drawer and eventually I take out the letters or I use ... I sit in the same spot in front of my computer and do that.

Devon: How much of your stuff is online versus paper?

#15: I'd say 80% on line. Like the town of Medway, water and utilities that they charge, that's always paper bill and I think that even they (the town) has started giving an online option, you can automate it. An interesting thing is that all the automatic deductions, and the pushing poll system, you can either push it back to fee automatically or you can give somebody permission to pull it out from your account that's just came up in the last 5 to 10 years here, but in Germany we had that 30 years ago; but then we did not have credit cards 30 years ago either. America was much more advanced on that.

Devon: So 30 years ago, it was pull by form?

#15: Yes. You either give your bank the order to transfer your rent every month to the landlord or you enabled the magazine publisher to pull it out of your checking account every month; bank routing and all that, we established.
66. Some people pay bills with personal checks, others through direct withdraw, and still others with differing forms of credit and electronic bill pay services. Can you describe how you pay bills and have you ever had difficulty with the mechanics of paying bills?

67. Thinking about when you pay your routine bills, do you usually pay long in advance, around the time they are due, and after their due date? Can you describe why you pay when you do – what are your motivations?

#15: Just a few days before they’re due; enough for it to not bounce again and nowadays, it takes a day or two; they actually enable you to select the date, when you want that to happen and that’s the day it happens.

Devon: When you select that date, do you select the date to be 2-3 day prior to.. ?

#15: 1 or 2 days prior.

68. Are you satisfied with the current way you pay bills to these companies/entities? If so, why? If not, why not?

#15: Online, it’s getting good, paper, no. And the fact that I have to pay bill, no.

Devon: When you went on line, what were you looking for?

#15: To go on line, ease of use and reliability, they’ve come a long way where there used to be a challenge to a non-brainer, that’s what I am looking for; security is not a problem. I know a secure website and I have faith in that and from time to time, I do have a breach in credit card, I just close it and get a new one. It just happened a few months ago.

Devon; What happened?

#15: A compromise in my credit card that was really stupid where I got books and they forgot to bill for shipping and it was really stupid since it was between one cent and $25.00 items and 6 or 7 of them and forgot to specify the shipping address so it defaulted the billing address, so I cut the stuff up....and closed the card.

69. What do you look for in a company/resource to assist you with paying your bills?
70. Do you think that if your service providers (e.g. rent, phone, internet, insurance) offered you a small discount for paying your bills before their due date, that you would take advantage of these discounts?

#15: Depending on how much it is, probably yes. If it involves 50 cents, maybe not but if it’s $50.00, I’d probably do it.

71. Please tell me about the best customer rewards program in which you’ve actively participated or wanted to participate? What made it the best? Some type of reward programs?

#15: I actually think that none of them are good because what they actually is an after the fact discount right? And the best program I would like to see is give me the discount up front because any kind of loyalty program is a hassle, you have to send voucher to get the check, you have to walk to the bank to deposit the check, or you have to look out for your miles and they can expire; it’s just a hassle. For me personally, you can actually create loyalty by giving me excellent service and the discounts up front so Amazon and ... has consistently... the prize for the stuff so I go there, I stick with Amazon even for the stuff that may not be the cheapest one but it is fairly cheap, but because I know that I get good service and I can return without hassle; it counts for the other stuff; one quick stop shopper.

Devon: I have never thought of Amazon being a model for the combination of convenience and low price...

#15: The discount program up front is what I want to see instead of a loyalty program after.

Micronotes Interview Transcript

Interview Date: 8 Jan 08

Gender: Female

Occupation: Graphic Designer

72. Can you tell me about your worst experience paying bills? What happened and why did it bother you so?

#13: Nothing specific comes to mind as a bad experience; I’d never had creditors; on occasion I’ve received a late fee on my credit card paying a bill; but it happens very
seldom and I can clear it up with a phone call and they take the charge away because it happens so seldom; and the other things that have happened that was worst is that I have been a victim of credit card fraud a couple of times and so that’s been dealing with the whole aspect which is not part of bill paying....

Devon: How did you realize that you were a credit card fraud victim?

#13: I think that it has happened to me on 3 different times in the course of my life and twice I was notified when the credit card company notified me and they wanted to verify the charges and the 3rd time it happened there were two small charges that I did not recognize; the companies were pretty good with dealing with it but it did take a lot of time to resolve it; they went back and forth to fix but as far as regular routine bills I don’t have any issues with those.

73. When you think about paying bills, what images come to mind?

#13: It is not something I enjoy doing; I do it on a monthly basis so it is a chore that I dread.

- If I ask you to step into the picture, can you tell me what you see around you?
  - What are you doing?
  - What are you thinking?
  - What are you feeling?

#13: I always sit in my office and a large part of that now is because I do approximately ¾ of the bills electronically, and all of my filings is there and I try to do it one/twice a month to keep up with it. And the balance, I write manual checks (25%).

Devon: How do you feel when you’re paying bills? Do you just want to get it done? Or.....

#13: for me because because I don’t do it everyday, so when I do it I dislike it and then I don’t have to do it for several weeks...

74. Some people pay bills with personal checks, others through direct withdraw, and still others with differing forms of credit and electronic bill pay services. Can you describe how you pay bills and have you ever had difficulty with the mechanics of paying bills? It does not seem that you’ve had trouble with the mechanics of paying bills?

#13: I mean basically it took a long time to use the computer for bill paying; I’ve had a computer for ever and I just felt that it was a stumble to go electronically and I had to
decide to do it with the bank or the companies’ websites, so I decided to do it through the websites so that I can review the statements, now some of them, I don’t even get paper copy...

Devon: So for example, you go to the Comcast websites and you pay on their sites ?....

#13: yeah! Which is tedious in its own way....

Devon: That’s means that you have to hit several websites to pay the bills.

#13: There are also disadvantages to that because every single one requires password configurations and logging in names, that sort of thing but it gives me access to information for instance if I want to look up the previous statement; and I can look up other information whereas if I went to my bank, I’d only put who I am paying it to and the date. So, I guess that’s why I’ve decided to do it this way and I don’t really... I only use one credit card and it is not that many....

Devon: So how do you do it? Do you use a credit card....?

#13: I put in your checking account number and the routing number and they just transfer it.

Devon: That’s new. I have not yet heard this ... I have not heard of people going to websites to pay bill. That’s very interesting to me ....

75. Thinking about when you pay your routine bills, do you usually pay long in advance, around the time they are due, and after their due date? Can you describe why you pay when you do – what are your motivations?

#13: Because I do it only once a month, at the end of the month and for most of them it happens to be around the time they’re due and the ones that I’ve been able to control timing of, I’ve had my due date changed so that it can correspond, for example my mortgage is due the beginning of the month, the credit card that I use the most, I have it timed so that when the bill is due too. Everything else, the smaller bills....

Devon: so you have designed your due dates around your mortgage payment....

#13: Yes, I am only trying to pay bills once a month so that is why I have arranged it this way.
Devon: what is the prime motivations for doing what you do? Is it to avoid late fees, or to only have to do it once/month?...

#13: I guess convenience and obviously I try not to incur any kind of late fee; it is a combination of those two.

76. Are you satisfied with the current way you pay bills to these companies/entities? If so, why? If not, why not?

#13: No I am not 100% satisfied because there is an inconvenience in going to the different websites, it's kind of equal out with the benefits of it.

Devon: when you transferred from paper writing to electronic, what were you looking for in the online services?

#13: I guess is the paperwork; some companies I get twice the paperwork because they still send me the paper invoice and then they send me a sheet of paper to confirm of that happening; I print out a copy showing the bill off their websites and then I get a 3rd piece of paper showing their confirmation but there is only one company that does that so I don't like dealing with the paper... I think also the thing is that what really pushed me to do this was when I was going away for a long time on summer and I needed things done in advance that was the final straw to get me to get things online; that's when I could schedule the payments in advance.

77. What do you look for in a company/resource to assist you with paying your bills?

78. Do you think that if your service providers (e.g. rent, phone, internet, insurance) offered you a small discount for paying your bills before their due date, that you would take advantage of these discounts?

#13: If it fitted into my system; if I did not have to do my bills more than once a month, then yes.

79. Please tell me about the best customer rewards program in which you've actively participated or wanted to participate? What made it the best? Some type of reward programs?

#13: I participated in a couple of the credit card reward programs and one of them, you can get travel reward, or gifts, or points that you can use toward gift card; I've gotten
offer for a deal with gas companies, gas points... it was a regular credit with gas reward, but I did not end up using that.

Devon: Did you take advantage of the travel or the gift stuff?

#13: the gifts...

Devon: was it gifts because the program was easy simple to take advantage, it was not complex.

#13: that’s definitely a key factor; it was through my credit card; and when I want to redeem points, I go to their websites and choose and I get it through the mail; the travel part is a big component, but I tried once or twice and did not have with it, so I gave up after that....the reward of utilities.

Micronotes Interview Transcript

Interview Date: 1/6/08

Gender: Male

Occupation: Physician

80. Can you tell me about your worst experience paying bills? What happened and why did it bother you so?

#11: My worst experience... I am not sure that I have a worst experience, I think probably the experience is... the most annoying are those where some kind of transaction occurs without my knowledge at the level of the bank – a deposit is, or is not made and I have automatic payments going forward and because of an imbalance in the deposits versus the payments I basically get bounced checks or bounced payments and get a multitude of charges, finance charges, that are outrageous – and probably the most irritating is when there are maybe 4 in a row and the overcharge is less than $50 and the payments are over $100... so, it just a nuisance to have to call them up, ask them what’s going on, either get it corrected or not.

Devon: Do you try to negotiate a reduction/elimination of fees?

#12: Yeah, or just try to understand what happened... it’s usually a sequencing thing. So, just trying to understand how it happened and then there not a whole lot of information because whoever customer service is has some information but not
enough to fix the problem. It’s also... I mean I would say that’s the second worse thing [late charges from creditor] is having... I look at it as just automation, they are better now, I don’t have the same issue but it’s the delay, if it’s automated through the bank, and there is a delay in their payment to the credit card company there is something... maybe it arrives on the day of the due date or... yeah, even on the day – there is a late charge... Yeah, like towards the end of the day it get recorded...

Devon: you’ve actually had an online... you’ve done a scheduled online payment to be made to a vendor through the bank, and the bank has actually done it late by the credit card company’s standards and you got a late charge.

#11: yeah..

Devon: So, what do you typically do about the late charge?

#11: It depends on how irritated I am but generally, I will either try to get it eliminate or I will just... it’s just so tedious... sometimes I let it slide and sometimes I just shut down the account. Particularly the credit card... right now I am in that point where I am sort of... doing... you know must basically taking advantage of the balance transfer interest rates so, I someone comes up with a better one or it’s just outrageous but, they are all just trying to get you to pay late. We just switch it out...

Devon: What’s your batting average in calling up and having the charge removed?

#11: I think it’s pretty good... it’s pretty high.

81. When you think about paying bills, what images come to mind?

#11: Well, it’s a waste of time the way I look at it... yeah... I would much prefer to do [other things] – I think it’s.. I don’t mind the automated things, I think it’s... I guess what I don’t like about... well, I just really don’t like to have to think about it. If there is a fixed regular payment that can be automated, that’s great, if there are a couple of... there are always a couple of accounts, bills, utilities that are variable... they always have to be looked at... and I think that what’s irritating and where I can do a better job is in getting consistent payment dates – where they are scattered throughout the month, I have an aversion to sitting down and reminding myself when the due date is... so, things get close, sometimes I miss them – but mostly just close.

Devon: have you ever had a late fee from a non-credit card company?
#11: No, they are pretty lenient... even for student loans they are pretty lenient as far as late charges.

- If I ask you to step into the picture, can you tell me what you see around you?
  - What are you doing?
  - What are you thinking?
  - What are you feeling?

#11: Well, I think that I’m... you know setting up Quicken again but, I am already starting to notice that while I am setting this up that unless the process is completely automated which not only includes bill payment but also recording of transactions... I lose interest quickly in staying on top of what accounts are doing or what payments are doing so, right now – It’s really a lot of redundancy is guess is really the way I look at it... most of the bills are automated so I just have them set up automatically... like credit cards for, I mean there are a couple that are basically, I am just using them as loans low interest transfer balances for the duration so for those, I just have an amount that get’s paid monthly so I don’t have to think about it and what I do for credit cards that I am trying to pay down... in action... used what charges is just to not miss due date I have most of them set at minimum payments automatically and I look at them afterwards so I can look at how much I want to pay on top of it... that said, what I basically do – over the course of the month, I get the paper bills and I take a quick look at them and they go into a box and at the end of the month they come out and I sit down at the computer and basically open them all up so, I got bill that... basically I am just verifying that the ones that need to be paid are being paid on time... online, then looking at the ones that I need to manage separately. And taking the ones out like ones that I have to do a separate on-line deposit, like taxes, excise tax, or water bill – all that kind of stuff... those I just, again, if I have to do something it’s just tedious – I don’t enjoy it.. I wind up with a big pile on the floor with a big pile of envelopes and all the crap that comes in the envelopes... and then, basically before quicken, I put them in a binder with monthly slots so I can reference them if I want to but I don’t pay a lot of attention to reviewing charges and looking at are things correct... least amount of time...

82. Some people pay bills with personal checks, others through direct withdraw, and still others with differing forms of credit and electronic bill pay services. Can you describe how you pay bills and have you ever had difficulty with the mechanics of paying bills?

#11: Yeah—for bill paying, I don’t use credit cards... so I use my online account to pay bills – occasionally [I hand write checks] again, those are usually water, utility
bills because they are just outliers and its not worth setting up an account or for some reason the website isn’t working.

83. Thinking about when you pay your routine bills, do you usually pay long in advance, around the time they are due, and after their due date? Can you describe why you pay when you do – what are your motivations?

#11: I usually, I think right now just... most of the payments revolve around getting paid so, when I get my paycheck which is directly deposited into the account, that’s a fairly consistent time period, within a few days of that deposit is when I have everything automated. It’s essentially end of the month, beginning of the month.

Devon: motivated by the arrival of income vs. specific due date?

#11: So, I guess what I would say is I try to get most of the accounts set up so that the due date is at the end of the month or the first part of the month but, that said, I would much rather say.. if there is a scattering of due dates from the 1st of the month to the 10th... I’ll pay them all on the first I just would like to get it all done at once so, I am not staggering having to keep track of what has been paid when, they just all get paid then.

Devon: so, I some cases you’ll pay early...

#11: But most of that is for simplification just to kind of keep it... and then there are occasionally... it mean it really depends on cash flow... if there are certain periods where it’s tight... as in now... depending on what other revenues are coming in, I may hold off just to get that in before but generally it’s all in that period.

84. Are you satisfied with the current way you pay bills to these companies/entities? If so, why? If not, why not?

#11: I would say more or less - most of its automated as far as the payments are concerned so what I am looking for now is ideally fully automate it... even the outlier payments easier to do... less time-consuming and so, actually – for the accounts that I can do them in, there are certain things that are bi-annual or annual payments, I just have an account where I can just pay that off... but, I think that it’s just being able to document it – what I would really... so, that I am looking for to make it perfect.. ideal... it would be automated payment and automated recording of transactions... hopefully quicken...
85. Do you think that if your service providers (e.g. rent, phone, internet, insurance) offered you a small discount for paying your bills before their due date, that you would take advantage of these discounts?

#11: Um... it depends, I would say if it’s easy to do then I would consider doing it. For me convenience is the most important thing... I will pay for convenience. So, I would say especially if it were done though a single source which would be much more appealing than having to set it up by individual account.

86. No response...

87. Please tell me about the best customer rewards program in which you’ve actively participated or wanted to participate? What made it the best?

#11: Well, I get mile so forth [form the credit cards] – well, I guess probably the best... I can think of two, probably the best one is American Express, and it’s not because they give you great rewards but the way it is set up, you can actually use the rewards in a very simple way so, there is a number of points but then they... you don’t have to jump through a whole lot of hoops to get some products... they have a pretty good catalog with things that you actually might want and if you place an order or redeem those points, there is just no hassle. There is clearly no disincentive to use them... REI is pretty good too... yeah... you can just show up at the store and they have it on record what your dividend is.

Micronotes Interview Transcript

Interview Date: January 5, 2008

Gender: _____Male______________________________

Occupation: _Finance Director ________________________________

88. Can you tell me about your worst experience paying bills? What happened and why did it bother you so?

#9: That’s an interesting question. Devon: well I’ve heard all kinds of stuff, like the bill got lost and it affected my credit, they did not receive it to I hate late charges, I have to call up....

#9: well yeah! My worst would be when I forgot to pay a credit card bill, we got late charges, that would be my worst, and if you’d ask me nobody likes to pay bills,
income taxes are due and you consider that a bill but a couple of years ago I had to pay Uncle Sam a lot of money and I did not particularly care to write that check, so there are what I would consider my worst experience

Devon; that’s new. I have not heard that one yet Why was it a pain?

#9: It was a case where you did not have enough taxes taken out, or you made more money, but basically, there had not taken out enough taxes, so I owed Uncle Sam ...and I did not care for when it came time to write the check.

Devon: Oh I see but it was not a pain because you filed late? Or...

#9: No, it was just because I had to pay Uncle Sam back but other than that I would say it is the credit card because if you are late they’ll charge you penalty.

Devon: and what do you do when they charge you penalty? Do you call them up and have them take them of or...?

#9: I’ve actually been successful; sometimes, it’s been a question that the payment was late by just one day because even though I mailed it, I thought that I had plenty of time, if something happens and it does not get there on time and because I have a good track record, I’ve been able in the past, a couple of times I have been successful at getting the charges dropped but again that has not happened often, there has been times when I honestly did not pay because I forgot, and I was late and knew that I would incur the cost.

Devon: You did not try to get those waived?

#9: No those I did not try; the ones that I knew like it was border line I ....

Devon: your sense of fairness was violated

89. When you think about paying bills, what images come to mind?

#9: I try to pay bill once or twice/month; bills come at different times and it is usually sit right here and I put the music on and it becomes a half or an hour of bill paying. I don’t give it that much thought, it is not a chore...

Devon: So you deal and get it done.
If I ask you to step into the picture, can you tell me what you see around you?
  o What are you doing?
  o What are you thinking?
  o What are you feeling?

#9: I still write checks. I am not those who have converted to electronic at least not yet, a lot of that capability, but I still write checks, and I sit down for about 30 minutes, with the music and just do it, maybe because my bills are not sophisticated or complicated bills, they’re just the typical bills like the mortgage, the utilities....

Devon: so are you totally paper bill or do you have direct withdrawal ...

#9: I have some life insurance, I have others that I could, like the cable I know that I could but do it but and the reason I have not done it yet is because on occasion you may just pay the bill, they’ve debited your account so, but it would save me a lot time frankly and money for stamps and the whole bit...

90. Some people pay bills with personal checks, others through direct withdraw, and still others with differing forms of credit and electronic bill pay services. Can you describe how you pay bills and have you ever had difficulty with the mechanics of paying bills?

91. Thinking about when you pay your routine bills, do you usually pay long in advance, around the time they are due, and after their due date? Can you describe why you pay when you do – what are your motivations?

#9: I like to stay current so that I can pay the bill shortly before they’re due. Occasionally, if we’re going to go on vacation, I may pay them early just to get them out of the way, but for the most part I just do, and most of the bills are due at the end of the month when the mortgage is due, my credit card bill, the only card I use is the Amex. It’s usually due around the beginning of the month and they all coincide with my cable is due around the same time; I have a few other bills like some loans that may come due in the middle of the month, but most of the bills are due....

92. Are you satisfied with the current way you pay bills to these companies/entities? If so, why? If not, why not?

#9: Yes I am, I mean, if I switch to electronic means it would be simpler, I could do it in my office, or if I went to a direct debit/credit which gives people access to your
account which is not something that I am crazy about, and you never know how the information is going to be used at the other end. Again, it's not something I agonize over or spend a lot of time thinking about, it's just something that has to be done.

Devon: If you did go to online, what would you be looking for on an online company to help you pay your bills?

#9: Well security is high on my list because you're giving away banking information and there are a lot of hackers out there, too many smart people and I'd like to know that all the safety measures are in place, that it is full proof if there's such a thing. So safety is definitely one of my concerns, ease of use that would be a benefit of doing so, and hopefully this would be free of charge, there would not be like a user fee...so

93. What do you look for in a company/resource to assist you with paying your bills?

94. Do you think that if your service providers (e.g. rent, phone, internet, insurance) offered you a small discount for paying your bills before their due date, that you would take advantage of these discounts?

#9: I would definitely consider it. I will most likely do it, but again I'd need to know how much the discount is...

95. Please tell me about the best customer rewards program in which you've actively participated or wanted to participate? What made it the best?

#9: I use the American express. I get points and mileage with Delta and my wife and I went on a trip in October and my wife's ticket was paid through the point into the system. You can also redeem the points for groceries...

Micronotes Interview Transcript:

Interview Date: 1/4/08

Gender: Female

Occupation: Non-profit manager

96. Can you tell me about your worst experience paying bills? What happened and why did it bother you so?

#7: My worst experience paying bills, I already have one is like when I was one day late on a couple of occasions I was one day late in credit card bill and I called not to argue with them on the phone about the late fee and interest charges especially since I always pay my bill on the full, I use my credit cards cash management, I've
never carried a balance and you know, they’re in it to make money of me and first they want me to charge it, you know they just end up being nasty conversations and you know that I have to get to work and I say OK I’m going to cut my card because I don’t need it, I can easily get another credit card offer and on one occasion you know they gave me a great exception the other time and they said no, and I said OK, cancel my account now.

Devon: what do they do when you threaten to... so on one occasion, they took off the charges and on another occasion, they said go ahead and charge it?
#7: yeah!
Devon: wow! It is the first time that i’ve heard of them not relenting wow, OK
#7: and it’s strange because I had perfect payment...

97. When you think about paying bills, what images come to mind?
#7: sitting in the kitchen table, stamps, the checkbook, finding the checking, sometimes going on line, having to figure out complicated websites, the little, all the envelopes lined up and ready to go, to be mailed ...

- If I ask you to step into the picture, can you tell me what you see around you?
  - What are you doing?
  - What are you thinking?
  - What are you feeling?

#7: For the most time, I feel that I have to get through this task of doing it. It’s not something that I avoid, but it’s not something that is fun, it’s a neutral thing, and in some ways it is a positive thing because it is a reminder of how much I spend and where I might need to cut back or make adjustments, so it is a monthly or every other back feedback because of what I need to do to make changes; and sometimes, I get negative, and I realized that I spent too much money going out to eat, or I may have to put plastic on the windows because the heat bill is really, it’s too bad and too much from an environment perspective or at other times it might be like oh right we went on our trip and we had a real good time and ...

Devon: so it is a mixture of things,

#7: yeah!
Devon: that’s the first thing I’ve heard this, it is interesting anything, I hate parting with money

98. Some people pay bills with personal checks, others through direct withdraw, and still others with differing forms of credit and electronic bill pay services.
Can you describe how you pay bills and have you ever had difficulty with the mechanics of paying bills?

#7: sometimes, I can’t find the checkbook, but we find it, we’re mix of paper and online, more like 75% paper and the other 25% online and part of it is a conscious decision because of stuff out there on the web...

Devon: because of security reasons?

#7: because of security reasons just being more careful about that which given that we use our credit card all the time, but there is something very tangible in the way that cash is tangible and paying online is one step further (can’t understand)...and it’s interesting one thing that we do is that we use our credit card management, we don’t use debit card unless we have to for some reason, we really like using our credit cards because it access the cash management so everything gets put on the credit card and we pay it off at the end of the month, and we have a little bit of cash walking around money for things we can’t use credit card for and so when we get our credit card statement everything is on there with the exception of our mortgage which is taken out directly out of our bank and we’re able to see everything on the statement and go through it and check it and most of our expenses is on one place, and then the other thing that is really great is the main credit cards that we use, they have a system online where you can download all of your transactions into quicken and so they’re all itemized for us and the first two or three times you have to go in to correct it but once you make a change, it remembers for you and the next time, you just pull it off and it categorizes so we can run reports and....

Devon: so you actually download report?

#7: yeah!

99. Thinking about when you pay your routine bills, do you usually pay long in advance, around the time they are due, and after their due date? Can you describe why you pay when you do – what are your motivations?

#7: We pay ahead or around the time they’re due so we don’t get charges, and it seems fair, it is what we agreed to and if we’re more around the time they’re due is because we haven’t had time, something else took priority but actually...we needed to visit with my family for the holidays, the bills sat around for a week but never late if we can avoid it.
100. Are you satisfied with the current way you pay bills to these companies/entities? If so, why? If not, why not?

#7: I guess I would say yes with the exception of our cell phone bill which is the one we do on line; it is a pain... it seems like every time we log on, there’s some glitch. I don’t know how to better explain it.

Devon: so the 25% of your paying on line...what do you look.... So you don’t like glitches, you’re looking for a company that is glitch free?...

101. What do you look for in a company/resource to assist you with paying your bills?

#7: On line?
Devon: yes, on line.
#7: I guess the security is a big thing, it’s a big deal, it is a lot of information that people would like to have and when there’s like TJMaxx scandals for credit card...I mean, I just get the feeling about consumer confidence and most people make the decision but there are all these people waiting out there, the credit card strings, but for a marketing standpoint, they would love to see what I charge on my credit card, and they do already in some ways but they’d love another (can’t understand) to get that information sold to them, they can steal it.

Devon: so this security thing is really......

#7: Yeah!

102. Do you think that if your service providers (e.g. rent, phone, internet, insurance) offered you a small discount for paying your bills before their due date, that you would take advantage of these discounts?

#7: I think that for the ones that are not on our credit card bill, we would, but part of the bonus that we get with credit card bill is that they’re extending the cash and we’re using as a cash management system and so we may or may not be the ideal customer for this kind because we keep that money in our bank account which we can use for other expenses that might come up and depending on how much we have on hand, we might keep some tucked in a CD for emergency stuff or earning higher interest like the payoff would depend on what sort of the reward is for paying the bills early.

Devon: Do you use your credit card to pay your electric bill, Comcast...?

#7: We don’t. We prepaid for our cable with our credit card.
Devon: So when you say that cash management... in one level I confer that it enables you to categorize in quicken. Is that the prime function or is that it enables you to balance inflows and outflows in a reservoir?...

#7: sure in a way yeah, we almost can always guess what the credit card bill is going to be because we sort of know what our monthly burn rate is and we also know if we’d done anything big or unusual, like we know that we bought a new piece of furniture, or we gave my sister a graduation gift that’s bigger than a normal birthday gift, we know to check. It is some ways how people might think of their bank account; they know what’s coming in or out, we’re using our credit card bill to track all of that....

Devon: so it is more for tracking because cash management can mean different things for some people, it is a reservoir where money flows in and flows out and they don’t always come in at the same at the same time...but what I am hearing you say is that it an advantage tool

#7: Yes exactly.

103. Please tell me about the best customer rewards program in which you’ve actively participated or wanted to participate? What made it the best?

#7: Well, we’ve definitely gotten cash back on our credit card; we’re in a cash back program where we get 3% for groceries, gas, pharmacies and 1% on everything else, certain stores, where you get a higher rate like a 3% -5% if you go to Gap, or Apple, it is a bonus, those retailers find out... so for example, we’re about to get $250.00 back, you can either get cash back or you can get points to get stuff for gift certificates, we usually take the cash.

Devon: which credit card is that?
#7: The City card. My other favorite customers much more pedestrian; I love the transfers when we go to coffee or pizza places, I mean it’s very different....

Devon: What is it you like best?

#7: For example, buy 10 get one free; the places that I frequent a lot, I might as well, but for places that I don’t frequent I don’t want to bother having another thing in my wallet, but the pizza places around the corner that we go at least once or twice a week, they know us, and they know which day I have the baby and which day my husband has the baby; it’s fun and it is also part of it or the coffee shop has the file box where they keep a card on you; that’s more like personal.
Micronotes Interview Transcript:

Interview Date: 1 Jan 08

Gender: Female

Occupation: Writer and stay at home mom.

104. Can you tell me about your worst experience paying bills? What happened and why did it bother you so?

#4: Just that it’s so tedious in general, there’s been a few late snafus where it was paid but for some reasons it was not all logged on; it was a tedious process.
Devon: When you say tedious, what do you mean it is tedious?
#4: If I can find a way to streamline it more, it would be ideal so it takes up time it’s mindless work.
Devon: That’s actually pretty common theme that’s coming out of these, the time factor.

105. When you think about paying bills, what images come to mind?
   If you think about it abstractly?

#4: boredom
Devon: yeah! That’s good. And boredom
#4: It’s like flossing.
   Devon: I heard it’s like laundry, now I hear it’s like flossing. Any more images?
   #4: Just you want to get it out of the way and get on with and if there’s any way to knock a hole in it to reduce it to a component parts, that would be deconstructed.
Devon: some people have images of computer screens because they billpay on line; some people have images sitting on a coach with a pen and a paper and it’s actually quite interesting the different images that people have of the process but do you, when you pay bills do you sort of sit in a certain place?
#4: It’s on the fly.
Devon: It’s on the fly. You kind of get a bill and you write a check.
#4: there’s been times when we would do it on quicken, and try to keep it as simple as possible and there has been times when it’s just as it happens.
Devon: So do you...?
#4: Much of it electronic billing; but not all of it
Devon: Much of it. OK
#4: through quicken.
Devon: through quicken. Right. So
• How do each of these images relate to bill paying?
• If I ask you to step into the picture, can you tell me what you see around you?
  o What are you doing?
  o What are you thinking?
  o What are you feeling?
• (Optional) In thinking about these images, in what ways are they similar and in what ways are they different?

106. Some people pay bills with personal checks, others through direct withdraw, and still others with differing forms of credit and electronic bill pay services. Can you describe how you pay bills and have you ever had difficulty with the mechanics of paying bills?

#4: I do all three.
Devon: you do all three. OK. From all of these three, have you even had difficulty with the mechanics of paying bills? Some people have said that bills get lost, some people have said, I never received the bill,

#4: Oh Yeah!
Devon: some people have had trouble with passwords and...

#4: Oh yeah! All of the above. If there’s bad weather and the postman drops the mail in the puddle; there’s been things like that or electronic billing; keeping track of all the different passwords is a pain in the neck; and because if you write them down, then of course somebody can find them and you can’t seem to memorize everything and you know maybe if there a prompt system and a system to help you remember what the numbers were and you know dealing with customer service people, sometimes there’s a language issue, sometimes there’s an intelligence issue or awareness issue, sometimes they’re not trained in... they haven’t experience customer service, so they don’t know how to deliver customer service that’s satisfactory, sometimes they are great and they bend over backward to explain things, trying out, sometimes, I’ve noticed, they can’t switch screens fast enough, they don’t have access to all the data right away so you spend a lot of time waiting for them to bounce from one screen to another to access whatever subdirectories are and if there was a way to simplify that process of to avoid customer service all together...
Devon: I think that’s we’re trying to do with this whole...

#4: Or make darn sure that the customer service reps... are, you know that, there’s a human who’s articulate and when you can speak 5 languages and the other thing is the Spanish default setting when you’re pressing your key pad and they say if you want it in English, press 1; no, English is the first language of this country and I am not a neurotic person about this, but it is so irritating and it’s like they say and if you want it in Spanish please wait and I’m like... primo el numero dois, if you want Spanish, so if you’re a Spanish speaking person you instantly hit in otherwise you get
prompt into the default setting that’s English, don’t make 99% of the population or whatever the stats are do the work, you make the people who speak the minority language do the button pushing please.
Devon: Make them second priority interest.
#4: Cause, you know, and it makes me aggressive because I have so little free time during the course of the day when the kids are in school, I have to get 20 things done and you call into customer service and there’s a whole and it’s mind numbing slow and if there’s a way to simplify the process would be lovely. There’s so many options and it’s probably better that it’s historically been..

107. Thinking about when you pay your routine bills, do you usually pay long in advance, around the time they are due, and after their due date? Can you describe why you pay when you do – what are your motivations?
#4: I was taught, and I don’t know if it is entirely correct that you pay until the last possible moment to pay because then you’re accumulating interest in your account for that little 30 day period or whatever, as long as it is postmarked on the day before the due date from the thing so that you’re holding on to your pennies a little longer; I’ve never actually tabulated how much saving by doing that and...
Devon: you would be in the minority if you had.
#4: and then there are certain things I pay straight away like if it’s my gutters were clogged and somebody came and helped me in an opportune time and...
Devon: That’s interesting so you actually sort of think of the vendors a little bit differently...
#4: Oh yeah! If there’s a service where I am in a pinch and I need something done right then, then I am happy to part with my cash than if it’s just a regular like the electric bill there’s no.... but for smaller vendors ...

108. Are you satisfied with the current way you pay bills to these companies/entities? If so, why? If not, why not?
#4: I guess yes because I’ve never imagined an alternative and I have never taken the time what course of action I might take instead; it’s always been just get it done, it’s just one of those things, you know.
Devon: that seems to be a pretty common theme

109. What do you look for in a company/resource to assist you with paying your bills?
#4: Hand written checks, quicken checks automatically

Devon: you may or may not have direct deposits?
#4: For certain things that don’t need my....like a credit card statement, I would never do automatically because I would want to examine the line items for to see if
there’s been any fraud which has often happened but for things that have no individual line items I would ....
Devon: like mortgage.
#4: yeah.
Devon: ...so that really answers the question which is you look for different things depending what the bill is like, if it’s a fixed amount like your mortgage then you would be trusting of an automatic... for other bills you might use quicken or checks, so it is the nature of the vendors, the type of transactions that might send you in a different direction.
110. Do you think that if your service providers (e.g. rent, phone, internet, insurance) offered you a small discount for paying your bills before their due date, that you would take advantage of these discounts?
#4:Yeah! I think that’s so interesting; it’s just a cool...and I wonder if there’s any way to show in your marketing pieces what potential cumulative benefits, well I don’t know how you do that?
Devon: It’s pretty easy, I’ve already done it...
#4: really?
Devon: well, it’s on the order of $4.00/thousand, depending on your household expenditures are, there’re not huge numbers but they’re kind of everyday all day on the numbers and it’s just a discount and they’re risk free...
#4: that’s nice psychological ... and what the person does with that is up to them.

111. Please tell me about the best customer rewards program in which you’ve actively participated or wanted to participate? What made it the best?
#4: I guess the tax free frequent flyer program, I don’t know why we’re not taxed on that...
Devon: and those are attached to credit cards?
#4: Yeah! You’re given catalog of choices and you can get gift certificates from Barnes and Noble, LL Bean; we’ll use them for flights and I think it’s nice the psychological component is powerful that they give you choices, maybe you could tap into one of their rewards programs and associate with them so that you don’t have to deal with all those extra variable of tracking all the different vendors, the variety and the fact that it is tax free, I’m always thinking that we’re going to get caught, it feels illegal, it’s too free to be legal and...
Devon: OK. it’s interesting and I am going to investigate why it is that way because there’s a whole regulation piece to this that I really have a huge amount of work to do to understanding...
#4: I think that credit card (can’t understand voice, something related to credit card fees).
Can you tell me about your worst experience paying bills? What happened and why did it bother you so?

#3: Yeah the worst recently has been – I sent something through the mail, this is maybe 6 months ago – I thought they got it, and I found out that they never received it. And actually it affected my credit rating and... it was a car payment and I am just trying to remember... what happened was, I had to, after finding out... I forgot what happened. I found out that it wasn’t paid, probably by the next month, so I had to backtrack... I found out that it was lost though the mail through the post office and I just basically had to make a double payment next month. And what else... but eventually it worked out fine because my credit union reimbursed me, after I think 6 months, but, I think honestly it... as troubles go, it was the worst recently.

Devon: this was bothersome why...

#3H: It was bothersome because I didn’t find out right away, I thought it was paid, yeah, actually – just recently buying a car, they said – “your credit’s off a little bit” – I usually have great credit, oh it looks like this is the cause of it... I said oh, great... I didn’t think that it was going to have that type of effect. I am usually pretty good with my payments. So, after that I ended up becoming more - a little more paranoid mailing that one specific bill where I ended up sending it either signature required – that’s basically how I have been doing it recently just to make sure that it gets through the mail and they do receive it. But, to be honest with you, since I’ve kind of taken over the billing lately, I am trying to get the process of electronically doing it... I am trying to set that up with just about all our accounts so I won’t have that kind of [failure mode] again.

Devon: People have been called and verbally abused for missing payments... for mechanical problems... it’s really bazaar.

#3W: My brother-in-law... he gave three extra numbers [you know at the end of the check] at the end and because of that it didn’t go through – and so he got this very high interest payment right? penalty – it was a credit card situation and he basically told the credit card people that they are robbers, that they knew... they asked for those 3 numbers... they knew he gave them these 3 extra numbers – I think it was
the security number, and because that number got rejected, they didn’t follow up or
try calling him to say this is what happened and he just felt like they took advantage
of that situation and so he called them robbers, how can they sleep at night? I am
sure that these are the stories that you are hearing, people are trying to do the right
thing – they are hoping that you are going to fail and tack on the extra fees...

Devon: That’s the whole incentive thing, you are seeing the result of incentives that
are cross purposes rather than well...

113. When you think about paying bills, what images come to mind?

#3H: Bill-paying, I want to pick the right word... organization. Where I am trying to
like what you’re trying to do, I am trying to simplify it where – sometimes you get a
bill, you put it on the counter, it gets lost with all the other stuff, try to have a
filing system, make sure all the receipts are in one area. And if I had an image, maybe file
cabinet.

#3W: So, an organized system...

• If I ask you to step into the picture, can you tell me what you see around you?
  o What are you doing?
  o What are you thinking?
  o What are you feeling?

Devon:... you are giving me an interesting perspective... you are giving me a desired
state where others are giving me an image of sitting on the couch writing checks,
Anita envisions sitting in a comfy chair paying bills through the computer...

#3H: Anita’s vision is like one step ahead of where I want to go... the computer is
just a sophisticated file cabinet where I want to get to...

114. Some people pay bills with personal checks, others through direct
withdraw, and still others with differing forms of credit and electronic bill pay
services. Can you describe how you pay bills and have you ever had difficulty
with the mechanics of paying bills?

#3H: We pay by check, and like I mentioned earlier, it’s something that we do – my
goal is to do it electronically... what was the latter? If I had an problems? Any issues
with ah...? Not that I can think of off-hand.

115. Thinking about when you pay your routine bills, do you usually pay long
in advance, around the time they are due, and after their due date? Can you
describe why you pay when you do – what are your motivations?
#3H: I pay right around when they are due, a few days ahead and... now how did you word the last... I just have this feeling that, and maybe it’s... that someone’s going to be calling or knocking at the door. So I won’t have that headache of someone getting on me as far as...

#3W: Why not pay a couple of weeks in advance?

#3H: Well I think that all about balancing your finances and [right] – did I answer the question?

Devon: Yes, you did...

116. Are you satisfied with the current way you pay bills to these companies/entities? If so, why? If not, why not?

#3H: No, I am not and – I think that nowadays everything is just so limited as far as your time to do – to actually sit down... but the thing is that I think this is something that people need to sit down and become more in-tune with your financing. But, I think that um, I wasn’t happy because I want to have more free time to do other things and I think, like I said, if it becomes more electronic, more automated – like you are doing,

#3W: More piece of mind...

#3H: Yeah

117. What do you look for in a company/resource to assist you with paying your bills?

#3H: I am going through Bank of America and I just think that I’ve been doing the tutorials as far as how to do it electronically, they are very friendly, customer oriented, it’s just they are making it easy for you.

#3W: I am just going to share with you how we got into this electronic banking... we recently it was one of our accounts – an account I have had since I was just out of nursing school – I tried to make it joint... so, we sat down with the Bay Bank guy, and he led us in to the electronic banking, it’s very easy, we just realized oh my gosh, how out of tune we are with a lot of these things that do make it easier. So we kind of fell into it – I think that Michael was on the cusp of doing it so...

Devon: It is easier, in my experience...
118. Do you think that if your service providers (e.g. rent, phone, internet, insurance) offered you a small discount for paying your bills before their due date, that you would take advantage of these discounts?

#3H: Um...yeah, I think so.

119. Please tell me about the best customer rewards program in which you've actively participated or wanted to participate? What made it the best?

#3H: As far as any vendor that I deal with?

Devon: Yeah, any customer rewards program that you have ever dealt with or currently deal with – maybe some people have minimal experience, others have a lot of experience with credit card frequent flyer miles [other examples]... do you belong to any of those things and are they any good

#3W: We don’t have that...[frequent flyer miles]... I had a Hess card...

#3H: Yeah – we thought that was kind of cool, we got discounted gas...

#3W: Yeah but actually it was a credit card, so the more you used the card, the more we made... it would then go towards paying the bill. So, sometimes you’d have like $20, $30 in rebate depending upon how much you used it – and that obviously we felt good about it.

#3H: And I mean we are... we have never really taken advantage of it... we are members of BJs right, and being part of that group you get discounted gas...

#3W: We don’t have anything like frequent flyers... no – that’s about it.

Devon: That’s it!

#3W:Oh that was easy...

End of interview.
120. Can you tell me about your worst experience paying bills? What happened and why did it bother you so?

#2: Um, worst experience was when somebody called me up, we had a car payment due, No - it wasn't a car payment - we didn't pay a car insurance bill, and I didn't get the bill in the mail and Um, I didn't get several bills in the mail that month - and I realized that my mail had blown all over the place so, the guy from the bank called me up and verbally abused me for not paying my insurance bill and told me that they were going to come and take the car away. And I was totally shocked and I didn't even know - first of all, this was the first time this has happened, so I don't think this is a good policy for your bank to take such a hard line on something when we've had one transgression and didn't even know about it - you know, he was just berating me so I told him if he didn't watch his step I would get my lawyer to call him back - who knows, maybe he deals with these people all the time who don't pay their bills but, that was probably the worst experience.

Also Target, the same thing happened with me, I opened up a target card and I didn't receive a bill so the person called me up and berated me for not paying my bill on time and I explained that I hadn't received a bill and I told them I was cancelling my card and I was never going to go with their company again - and I haven't, so that's it, nothing too serious.

Devon: No, but that's ridiculous...horrible stories...

121. When you think about paying bills, what images come to mind?

#2: Um, I am embarrassed to tell you that I am still on paper bill paying process so, I see myself writing checks, sitting on the couch next to my husband at night writing checks, and trying to get it done as soon as possible.

Devon: So, writing checks on the couch, and Michael's there...

#2: And Michael's there because we have this unique situation since Michael's self-employed, our cash flow is very unpredictable so, sometimes I have to call the companies and ask for a little bit of leeway, "can you wait a day or two, etc." We also have a couple of accounts where we float cash in and out so that we can kind of - you know, we have a home equity line just in case, for some reason, he can't cover the mortgage that month. I hate to do that but - it's the reality of the situation.

Devon: You've got to manage cash flow, so that actually answers the other two questions which are sort of.. If you to step into the picture, What are you doing? - what you're doing is you're writing checks with pen/pencil - um, What are you
thinking about when you are writing check, people think about different things I am coming to find out?

#2: I am thinking, when am I going to get my ass in gear... sorry, and get on-line and do this on line, that’s what I am thinking. And I am also thinking, gee – maybe when the kids get older I can find some sort of a profession so that we can have a more steady income – and we can pay bills more easily and I don’t have to worry about juggling [cash flows] – yeah, and I also think about how expensive insurance is and Michael thinks I am crazy for saying this but, I feel like insurance is kind of like the mafia – because, um – we pay a lot, for insurance, and Michael and I don’t make many claims so it doesn’t make sense to me that we pay so much in insurance and we never see any of that money back [Devon: Interesting...] and that probably not a very popular view, I understand how insurance works and I know that if you get into a horrendous accident, they will cover a lot of the money but, it just seems like there’s a lot of paperwork and administration that’s being paid for so...

Devon: And those thoughts... do you feel a certain way when you are sitting there on the couch...

#2: I hate paying bills [laughing], I hate it, I hate it – I hate paying bills.

Devon: And is it.. what is it you hate about it? Is it just...

#2: The worst is the uncertainty. The second part of it is the feeling that it’s never ending. Um, you know – it’s like laundry, it’s true – you can never escape it [Devon: you can never escape it, is goes on and on... god, that’s great...]

122. Some people pay bills with personal checks, others through direct withdraw, and still others with differing forms of credit and electronic bill pay services. Can you describe how you pay bills and have you ever had difficulty with the mechanics of paying bills?

Devon: I think that you said that you are all paper...

#2: Yeah, I mean there are a few things that are automatically debited like um... Michael has some internet services that are automatically debited but, we don’t have anything that is large – that has a large amount that’s automatically debited due to our cash flow situation.

Devon: and the mechanical problems that you have experienced are literally, the bill gets lost, blown-out, are there any other mechanical problems in other words, have you ever like mailed a bill and they just didn’t get it...
#2: Yeah, occasionally – that’s probably happened once, I mailed a bill and they said they never received it. Other problems that happened are um... I write all the bills as soon as I can, and then I put a date on the top of the envelope and I say, mail this out on January 10th so that they get it by the 17th, because I’m not going to mail all my bills at once, I can’t afford to do that but then, unfortunately, I’ll forget to mail them out on the right day and then so I get late fees and that... nothing makes me more angry than when I have to pay a late fee. Sometimes I have to pay a late fee also, if Michael’s telling me, “wait one more day for that check from Gwen or whatever” you know that get’s really frustrating because I hate doing that but, those are kind of unavoidable situations at this point. I guess... I just don’t like to dip into the home equity unless I absolutely have to do, you know...it’s a judgment call...

Devon: Well, everybody has to manage cash flow... to your point it’s like laundry...

Thinking about when you pay your routine bills, do you usually pay long in advance, around the time they are due, and after their due date? Can you describe why you pay when you do – what are your motivations?

Devon: I think that you answered that... cash flow... right...

#2 – When they are due, yes [cash flow motivation] – and also I usually pay them well before hand because of cash flow, if I could pay them before hand, if I could afford to – and it would save me money I would definitely do that – like for example they used to offer a 10% discount, which isn’t much, commerce insurance for your auto – they don’t do that anymore. Um, so it used to be for $1000 if you pay the whole thing up front or $1100 if you paid in installments. And that’s not even that much of a motivation. But, if I could afford to do it and save $100, I would.

Are you satisfied with the current way you pay bills to these companies/entities? If so, why? If not, why not?

#2 – No, I’d like to have... do it on-line I just haven’t gotten around to setting down and setting it all up, I know that it’s not a big deal it’s just one of those things [Devon: other priorities?], yeah...

What do you look for in a company/resource to assist you with paying your bills [e.g. on-line bill payment services]?

#2 – How would I want that service to work? The most important thing would be ease, automatically enter all the information. The second most important thing would be an accounting feature so that I can see how much I paid – you know, how much did I pay this year on groceries or how much have I paid this year to the doctor because I need to all gather all that information for our taxes because we have to do our own taxes. Even if he wasn’t self-employed, I’d want to know for my
budgeting purposes how much am I spending on this versus that – how much did I buy at Fiske’s this year. Way too much...

126. Do you think that if your service providers (e.g. rent, phone, internet, insurance) offered you a small discount for paying your bills before their due date, that you would take advantage of these discounts?

#2 – Yeah – I would, unless keeping the money... unless it was a large sum of money where if I kept it in the bank for a year I’d make more money on interest... obviously the amount would have to exceed that.

Devon: So it would be based on cash flow and interest right?

#2: Right. But, there is also the nice part which is having the whole thing paid for the whole year – so then I would have to go every month and write a check to commerce or whoever, that would... that’s also a bonus because that’s my time so if I put a dollar value on my time, um, that could also be deducted from the amount that I save. And also piece of mind, you know what, I am all paid up, I don’t have to worry about paying my insurance every month – that would be great.

127. Please tell me about the best customer rewards program in which you’ve actively participated or wanted to participate? What made it the best?

#2: I don’t have any except for my credit card... it’s an L.L. Bean credit card, I don’t even bother doing the flight thing – I know a lot of people do mileage for flights, but Michael and I really don’t fly anywhere and I’ve heard that – and perhaps I should investigate this further but I know that people who do those miles programs I know that the miles are prohibitive, you have to use them between this and that date usually, and this type of flight and only to these locations so, it wouldn’t be worth it for me to... the act of doing that much administration to keep track of all that stuff isn’t worth it to me... Anything where I have to do more administrative work is not worth it, So, I happen to have an L.L. Bean credit card, I have no idea why we have it but, whenever we use it they send us $10... if I spend $100 a month or $1,000 a month which I don’t usually do... so I probably get about $30-$40 a year so I take that money and I buy like a coat for John or something, that’s all I have, I don’t have any other rewards -- I’d love to but, we just are high cash flow enough – we probably don’t tempt people enough... Ah yeah, the Smith’s yeah, whatever.

Devon: That’s it!

#2: Oh wow, that was easy... I hope that was helpful.
Devon: My goodness, that only took 13 minutes...

#2: I know, because I talk fast.

Interview End.
Thinking about when you pay your routine bills, do you usually pay long in advance, around the time they are due, and after their due date?

I. Around the time they are due

II. When they are due, yes [cash flow motivation]

III. I pay right around when they are due, a few days ahead and...

IV. I was taught, and I don't know if it is entirely correct that you pay until the last possible moment to pay because then you're accumulating interest in your account for that little 30 day period or whatever, as long as it is postmarked on the day before the due date from the thing so that you're holding on to your pennies a little longer; I've never actually tabulated how much saving by doing that and...

V. It's always close to the edge; closer to the limit; we try not to go over...

VI. usually pay before it's due but close to the due date - what I have found is the only - some companies, for instance I just paid a
couple of bill yesterday, one was for Comcast and that the phone
internet and wireless - cable... and they don't charge late fees.

VII. We pay ahead or around the time they're due so we don't get
charges, and it seems fair

VIII. we just try to pay the bill on time, because we have a section
where we put the bills on the right today and in the back, those
bills have already been paid, so that everything that is in the
front have to be paid.

IX. I like to stay current so that I can pay the bill shortly before
they're due. Occasionally, if we're going to go on vacation, I may
pay them early just to get them out of the way, but for the most
part I just do, and most of the bills are due at the end of the
month when the mortgage is due, my credit card bill, the only
card I use is the Amex

X. try to pay them before their due date to make sure that they're
there on time...Devon: what is your motivation for paying your
bills early? Is it to avoid the late fees or is that really your
motivation to ....?
To me it is a peace of mind to know that it's paid and it is out of
the way, I can concentrate on something else and I can move on.

XI. I try to get most of the accounts set up so that the due date is at
the end of the month or the first part of the month but, that said,
I would much rather say.. if there is a scattering of due dates
from the 1st of the month to the 10th... I'll pay them all on the
first I just would like to get it all done at once so, I am not
staggering having to keep track of what has been paid when,
they just all get paid then

XII. pretty much pay around the 4th or 5th of every month and one
more bill comes around the 8th and I pay it right away and
....no problem I just believe of keeping up with it.

XIII. Yes, I am only trying to pay bills once a month so that is why I have arranged it this way.
Devon: what is the prime motivations for doing what you do? Is it to avoid late fees, or to only have to do it once/month?....
#13: I guess convenience and obviously I try not to incur any kind of late fee; it is a combination of those two.

XIV. I pay a week before. I fit something in the schedule before they're due. I don't like paying bills late; I have a thing about that and that's why I fit in the last week/month; unfortunately my cycle is not the same as my paying system so some of the ones, I might incur and be a little bit late with the credit card once in a while but I genuinely pay those on time so....

XV. Just a few days before they're due; enough for it to not bounce again and nowadays, it takes a day or two; they actually enable you to select the date, when you want that to happen and that's the day it happens.

XVI. By the way certain things that are recurring like the mortgage, I set those up as repeat payment so that I never miss a payment.

XVII. I pay them shortly after I have confirmation that my paycheck was deposited
Some people pay bills with personal checks, others through direct withdraw, and still others with differing forms of credit and electronic bill pay services

I. ...I think that you said that you are all paper...

#2: Yeah, I mean there are a few things that are automatically debited like um... Michael has some internet services that are automatically debited but, we don't have anything that is large - that has a large amount that's automatically debited due to our cash flow situation.

II. we use electronic bill pay, personal check, and automatic withdrawal for our mortgage
III. We pay by check, and like I mentioned earlier, it's something that we do - my goal is to do it electronically.

IV. I do all three.

V. All paper right now - we've had an ongoing discussion for the past year of whether we should move this over to the internet.

VI. Mortgage is electronic (direct withdrawal) - I actually, at our other house on the Cape, the gas is paid electronically... just a couple of account that actually went to the effort of setting up and I am very glad I did are electronic. Pretty much just the mortgage in general, and then everything else is written out by hand.

VII. sometimes, I can't find the checkbook, but we find it, we're mix of paper and on line, more like 75% paper and the other 25% on line and part of it is a conscious decision because of stuff out there on the web...

VIII. so you say that you pay your bills by hand-written checks, put them in the envelope, and mail them?

#8: yes

IX. I still write checks. I am not those who have converted to electronic at least not yet, a lot of that capability, but I still write checks, and I sit down for about 30 minutes, with the music and just do it, maybe because my bills are not sophisticated or complicated bills, they're just the typical bills like the mortgage, the utilities....

X. Most of the time, I write checks and I mail my bills out but sometimes if it's a bil that I can pay over the phone, it's easier like T-Mobile, I just call customer service and I call in my payment. Certain utilities bill have to be mailed, but I used to pay them personally at the supermarket, but somehow, I don't
know what happened, they change that, they don't want to accept checks anymore, it has to be cash only, so to me it does not make sense. You could even pay your cable, gas and electric bills but to me it is no longer worth it, so I just everything from the checkbook and some of them I will use my master card and pay over the phone, my debit card...

XI. Yeah-for bill paying, I don't use credit cards... so I use my online account to pay bills - occasionally [I hand write checks] again, those are usually water, utility bills because they are just outliers and its not worth setting up an account or for some reason the website isn't working.

XII. I have a couple of my things like my car insurance and they take it out of my account and I don't take anything else from the account. I just like 7 checks and that's all. Mostly paper checks.

XIII. There are also disadvantages to that because every single one requires password configurations and logging in names, that sort of thing but it gives me access to information for instance if I want to look up the previous statement; and I can look up other information whereas if I went to my bank, I'd only put who I am paying it to and the date. So, I guess that's why I've decided to do it this way and I don't really... I only use one credit card and it is not that many....

XIV. I'd say 80% on line. Like the town of Medway, water and utilities that they charge, that's always paper bill and I think that even they (the town) has started giving an online option, you can automate it.

XV. so right now, you are 100% check based?

#14: yes.

XVI. For me in particular because I am so busy, it is a real chore; the
online billpay has reduced the hassle but you have to keep up with it.

XVII. Devon: Are you 100% paper based?

#17: yes.

If I ask you to step into the picture, What are you doing, thinking, feeling?

I. I am feeling like I am fulfilling an obligation because, everyone needs to pay bills and the recipients need to also pay their own bills, so they need people to make sure that they... they are rendering a service so I am happy to pay them.

II. I am thinking, when am I going to get my ass in gear... sorry, and get on-line and do this on line, that's what I am thinking.
III. the computer is just a sophisticated file cabinet where I want to get to...

IV. It's on the fly. You kind of get a bill and you write a check.

V. I have this great little tool here that opens an envelope, I take out the stuff, I arrange them in order of importance for creditworthiness. I know the first things that is going to be paid is always going to be the mortgage, then the credit cards, so, being in the mortgage business I know that if I am a week late on my electric bill it's not going to affect my credit rating but, if I'm a week late on my mortgage payment, my mortgage is going to show that a late fee on it, and it's on there for a year... so,

VI. I would say it's a task that needs to get done similar to emptying the dishwasher... it's just got to get done. I do like having control over the household finances and I don't want to screw it up so, I just consider it one of my jobs.

VII. For the most time, I feel that I have to get through this task of doing it. It's not something that I avoid, but it's not something that is fun, it's a neutral thing, and in some ways it is a positive thing because it is a reminder of how much I spend and where I might need to cut back or make adjustments, so it is a monthly or every other back feedback because of what I need to do to make changes; and sometimes, I get negative, and I realized that I spent too much money going out to eat, or I may have to put plastic on the windows because the heat bill is really, it's too bad and too much from an environment perspective or at other times it might be like oh right we went on our trip and we had a real good time and...

VIII. well sometimes, for example in the winter time when we get the bill for heating, oh my god, this much, that's the only thing that bothers us, sometimes oh my god, why is the electrical bill so...
much? It is mostly the heating bill in the winter time, heating bills are horrendous, it's too much, I don't want to be cold, oh my god, it's too much, but what can you do? No it does not bother me (to pay bills).

IX. I still write checks. I am not those who have converted to electronic at least not yet, a lot of that capability, but I still write checks, and I sit down for about 30 minutes, with the music and just do it, maybe because my bills are not sophisticated or complicated bills, they're just the typical bills like the mortgage, the utilities....

X. Sometimes I put things away because I don't want to deal with this, I'll deal with it later and sometimes I do forget. And sometimes in the middle of the night I wake up and say Oh my God, I have this and that to pay. And I used to be more organized before I have so much to do, things are getting out of hand sometimes. It stresses me out when I know that certain bills are not paid and others are not paid on time....

XI. you know setting up Quicken again but, I am already starting to notice that while I am setting this up that unless the process is completely automated which not only includes bill payment but also recording of transactions... I lose interest quickly in staying on top of what accounts are doing or what payments are doing so, right now - It's really a lot of redundancy is guess is really the way I look at it... most of the bills are automated so I just have them set up automatically

XII. I collect them all and pay them off around the 5th; except that I receive one around the 8th or the 9th and then I pay that one and all on time.

XIII. I always sit in my office and a large part of that now is because I do approximately ¼ of the bills electronically, and all of my
filings is there and I try to do it one/twice a month to keep up with it. And the balance, I write manual checks (25%).

XIV. I'm kind of the systematically analytic type; you see this is many project program; so the first thing I do is an inventorying and a gathering because the kids getting the mail, the wife, the stuff is all over, so the biggest problem is finding them all and separating the chaff from the wheat actually take more time; I try to get better at that; I try to stash them to make sure that they're all at one place; I do it the last week of the month. I get them all, I open them all and at the same time I am discarding tons of garbage and I put a nice pile of just the bills, the envelopes; I do that as the second phase after the second part after the gathering and I actually do the check writing and then the 4th step, I package everything like the stamps; and the 5th thing I have an excel spreadsheet that I update every month with categories on what we pay...

XV. I try to do most of the stuff online and automate it particularly, not just monthly online payments but I really try to automate it so for the few bills I do have to pay I sit down at my desk, I take my checkbook out of the drawer and I my stamps in the other drawer and eventually I take out the letters or I use ...I sit in the same spot in front of my computer and do that.

XVI. I usually pay my bills once a month. I have started doing online bill pay for a while now. I usually sit in my study and I have all the bills, so I go through them and see what needs to be paid and I put them on a pile and go to Bank of America and click, click so paid. I used to keep a register, I don't do that anymore. I am basically trusting that the bank record keeping is accurate.

XVII. No, it is quiet. I keep telling myself "keep going, keep going", sometimes I will time myself to see if I can cut this back
(process), what can I do to speed this up? I still do the paper check, and I think of myself that I should get a rubber stamp for the return address, my stamps and ....

If I say, "paying bills" What Images Come to Mind?

I. It's like flossing

II. I am trying to simplify it where - sometimes you get a bill, you put it on the counter, it gets lost with all the other stuff, try to have a filing system, make sure all the receipts are in one area

III. I am embarrassed to tell you that I am still on paper bill paying process so, I see myself writing checks, sitting on the couch next to my husband at night writing checks, and trying to get it done as soon as possible

IV. actually writing out the check, bill paying, bill formation, check formation, putting in the right date as to when it goes out.

V. a waste of time the way I look at it... yeah... I would much prefer to do [other things]
VI. Sometimes it is overwhelming because not only do I have my personal bills, I have to take care of my mother's bills.

VII. I try to pay bill once or twice/month; bills come at different times and it is usually sit right here and I put the music on and it becomes a half or an hour of bill paying. I don't give it that much thought, it is not a chore...

VIII. Sitting there writing the checks and the... sitting there and plowing through... my image is a pile of mail that stacked this high and it ends up being 10 envelopes here, and a pile of trash on the floor. It's ridiculous the amount of trash... that's what I visualize.

IX. I never think about it. I just know what I had spent and I sit and work them out; and that's it. I have these fixed items. I don't have a cell phone or stuff like that. I don't have a problem with that.

X. I think like I have to pay the bill today, or here it comes again, as soon as you pay one, you pay 2-3 bills today, tomorrow there's another arriving and I go "not again" but that's life, you have to pay your bills, I really don't think much about it, it comes, you have to pay whether you like or not.

XI. Sitting in the kitchen table, stamps, the checkbook, finding the checking, sometimes going on line, having to figure out complicated websites, the little, all the envelopes lined up and ready to go, to be mailed...

XII. Tedium, sloppy handwriting (my own) just scribbling out the bill just to get it paid, rush... I am never really... I am never just comfortable sitting down, paying, I don't really think about it, they come it, I stack 'em up, when I get a chance I pay 'em.

XIII. It is not something I enjoy doing; I do it on a monthly basis so it is a chore that I dread.
XIV. It is negative because it uses up about one hour and minutes of my very precious time which is the main incentive for me considering this online thing.

XV. Bored and annoyed because it is an absolute annoying thing to do and it is a complete waste of time. And the image may be of a paper pusher and a dusty stacks of papers....

XVI. Just paying. Somebody taking your money.

XVII. Tedious. It's tedious, it's a set of block of time; I like to do it and get it over and done with. So tedious but since I have my routine down pact, I am not usually inspecting the bills too closely, or I might examine electricity and gas and I get anxious that I am being overcharged.
so, I see myself writing checks, sitting on the couch next to my husband at night writing checks, and trying to get it done as soon as possible

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Worst experience paying bills

I. I sent something through the mail, this is maybe 6 months ago - I thought they got it, and I found out that they never received it

A. I found out that it wasn't paid, probably by the next month, so I had to backtrack

1. I just basically had to make a double payment next month

   a. just recently buying a car, they said - "your credit's
off a little bit"
(1) I didn't think that it was going to have that type of effect.
(a) little more paranoid mailing that one specific bill where I ended up sending it either signature required
   i) I am trying to get the process of electronically doing it

II. gave three extra numbers [you know at the end of the check] at the end and because of that it didn't go through
   A. credit card situation and he basically told the credit card people that they are robbers
      1. how can they sleep at night?
         a. they are hoping that you are going to fail and tack on the extra fees

III. it's so tedious in general
   A. If I can find a way to streamline it more, it would be ideal so it takes up time it's mindless work

IV. we didn't pay a car insurance bill, and I didn't get the bill in the mail
   A. the guy from the bank called me up and verbally abused me for not paying my insurance bill and told me that they were going to come and take the car away
      1. he was just berating me so I told him if he didn't watch his step I would get my lawyer to call him back

V. I opened up a target card and I didn't receive a bill so the person called me up and berated me for not paying my bill on time
   A. I explained that I hadn't received a bill and I told them I was cancelling my card and I was never going to go with their company again
VI. forget to pay them on-time and realize that I have to pay a penalty or additional payment

A. it was past due about 10 days, and um I finally paid it only to discover in the following month that they charged a late fee (a late fee for being late)

1. I called them, gave them my acct. number, and told them that from the experience we had with them, they realized right away that we were a good customer and that this was an oversight so they deleted it

VII. some kind of transaction occurs without my knowledge at the level of the bank

A. probably the most irritating is when there are maybe 4 in a row and the overcharge is less than $50 and the payments are over $100

1. done a scheduled online payment to be made to a vendor through the bank, and the bank has actually done it late by the credit card company's standards and you got a late charge

a. I will either try to get it eliminate or I will just... it's just so tedious... sometimes I let it slide and sometimes I just shut down the account

VIII. two different accounts with Macy's

A. she applied both payments to the same account number, so one was all paid and the other one ... got nothing applied

1. I always have them in different envelopes, different checks, different check numbers, and I even write my check number on the memo section

IX. forgot to pay a credit card bill, we got late charges, that would be my worst

A. a couple of times I have been successful at getting the
charges dropped but again that has not happened ofte

X. I was one day late in credit card bill
   A. I called not to argue with them on the phone about the late
      fee and interest charges especially since I always pay my bill
      on the full
         1. they're in it to make money of me and first they want me
            to charge it
             a. they just end up being nasty conversations
                (1) on one occasion, they took off the charges and on
                    another occasion

XI. getting a $75 late fee on a bill that was a day late
    A. I had to get on the phone
       1. I have always gotten every late fee taken away
          a. I am sure that there will come a time that these
             companies are going to start saying - if they pay their
             bills on time, they really are not our best
             customers... so they don't really care if they lose my
             business... and then I would just cancel the card
             (1) I consider myself a fair person but late fees to
                 me seem like such a waste of money and maybe I
                 am just mad at my own stupidity for not getting
                 the bill in on time

XII. Visa bill completely... it was received 2 days late
     A. $14 fee for paying by phone

XIII. paying the bills monthly is a pain in the neck... we hate it... we
      hate it
     A. Parting with the money #1
        1. It never ends, it's every single month
           a. You're actually doing this by hand... taking the bill
              and deconstructing it into expense categories..
XIV. ...on occasion I've received a late fee on my credit card paying a bill; but it happens very seldom and I can clear it up with a phone call and they take the charge away because it happens so seldom.

XV. when you get all your envelopes ready in the mail and one of them falls down in the seat of your car and your on your way to the post office.

XVI. being late for a payment and losing my 8% permanent rate because it was in the early days of internet online payment and they still had the 5 day leap on actually crediting that money, so I paid 2-3 days before the due date but it bounced over and for that I lost my 8% and it turned into a 15% variable instead of 8% constant; that was bad.

XVII. I think that it is usually when you kind of miss the due date and then you get slapped with a $25.00 late fee from credit card companies especially the store ones.
Do you think that if your service providers (e.g., rent, phone, internet, insurance) offered you a small discount for paying your bills before their due date, that you would take advantage of these discounts?

I. Absolutely

II. - Yeah - I would, unless keeping the money... unless it was a large sum of money where if I kept it in the bank for a year I'd make more money on interest... obviously the amount would have to exceed that.

III. Um...yeah, I think so

IV. Yeah! I think that's so interesting; it's just a cool

V. Nobody offers that right now... so, I am on the opposite end of the spectrum. There is no incentive for me to pay early.

VI. Yes...it's getting it paid...I'll take a discount.

VII. I think that for the ones that are not on our credit card bill, we would, but part of the bonus that we get with credit card bill is
that they're extending the cash and we're using as a cash management system

VIII. If I was paying my bills on line, yes, If I have to save, I would take the discount

IX. I would definitely consider it. I will most likely do it, but again I'd need to know how much the discount is...

X. Absolutely, actually at work - I look for that

XI. ... it depends, I would say if it's easy to do then I would consider doing it. For me convenience is the most important thing... I will pay for convenience

XII. : I might but I don't have that problem because I've never heard of such a thing.

XIII. if it fit into my system; if I did not have to do my bills more than once a month, then yes.

XIV. There's a good chance that I would.

XV. Depending on how much it is, probably yes. If it involves 50cents, maybe not but if it's $50.00, I'd probably do it.

XVI. I think so; especially if I am reminded and there's an automatic deduction

XVII. I would consider it and I'd have to restructure my finances a little bit, but...
Please tell me about the best customer rewards program in which you've actively participated or wanted to participate? What made it the best?

I. #1 - Once in a while, you get the 25% off in the Barnes and Noble, in addition to the 10% discount that we get...

II. #2 - I happen to have an L.L. Bean credit card, I have no idea why we have it but, whenever we use it they send us $10... if I spend $100 a month or $1,000 a month which I don't usually do... so I probably get about $30-$40 a year so I take that money and I buy like a coat for John or something

III. #4: I guess the tax free frequent flyer program, I don't know why we're not taxed on that...

Devon: and those are attached to credit cards?

#4: Yeah! You're given catalog of choices and you can get gift certificates from Barnes and Noble, LL Bean; we'll use them for...
flights and I think it's nice the psychological component is powerful that they give you choices

IV. I had a Hess card...

#3H: Yeah - we thought that was kind of cool, we got discounted gas...

#3W: Yeah but actually it was a credit card, so the more you used the card, the more we made... it would then go towards paying the bill. So, sometimes you'd have like $20, $30 in rebate depending upon how much you used it - and that obviously we felt good about it.

V. #5: American Express and a Marriott Visa because those are the only two we have actually used... cumulative savings... I mean real tangible... like a free trip to Europe every couple of years.

VI. #6 - Well, our Master Card is a Fidelity 929 account where one point five percent gets kicked back into the kids college fund... hey, my idea with any of these reward things is, if the money is going to get spent anyway, give me something for it. So, we liked that one the best because the frequent flyer program seemed to be a waste of frequent flyer miles, hard to use

VII. #7: Well, we've definitely gotten cash back on our credit card; we're in a cash back program where we get 3% for groceries, gas, pharmacies and 1% on everything else, certain stores, where you get a higher rate like a 3% -5% if you go to Gap, or Apple, it is a bonus, those retailers find out... so for example, we're about to get $250.00 back,

VIII. #9: I use the American express. I get points and mileage with Delta and my wife and I went on a trip in October and my wife's ticket was paid through the point into the system. You can also redeem the points for groceries...
IX. #10 - I particularly would have to say CVS... I know its not much of a... but still, they give you rewards so it's like... you spend so much and get rewards... though you are not expecting them so it comes in handy... sometimes they send me... I get a $10 off the next purchase... $5... and it's like coupons that... the only thing I don't like about that is that they put a certain amount of time, I don't know how many days...

X. #11 - I can think of two, probably the best one is American Express, and it's not because they give you great rewards but the way it is set up, you can actually use the rewards in a very simple way so, there is a number of points but then they... you don't have to jump through a whole lot of hoops to get some products... they have a pretty good catalog with things that you actually might want and if you place an order or redeem those points, there is just no hassle.

XI. #13: I participated in a couple of the credit card reward programs and one of them, you can get travel reward, or gifts, or points that you can use toward gift card; I've gotten offer for a deal with gas companies, gas points

XII. #14 - I buy a lot of books, so Barnes and Nobles sends me these cards with discounts

XIII. #15 - For me personally, you can actually create loyalty by giving me excellent service and the discounts up front so Amazon and ... has consistently... the prize for the stuff so I go there, I stick with Amazon even for the stuff that may not be the cheapest one but it is fairly cheap, but because I know that I get good service and I can return without hassle

XIV. #16: American Express miles and my husband has Bank of America membership miles; some stores like Macy's if you earn frequent buying points, is an incentive and is tempting and unlike
what I was saying earlier about their late fees (at Macy's), by charging more you also get more reward, a lot of coupons and you can get money back for all of the points

XV. I get the Harvard bookstore where I build up a discount and I have a CVS reward card, but I don't see myself being rewarded but I see CVS collecting marketing information on me and then they send me a coupon and it is usually not stuff I want. I am funny that way.

Are you satisfied with the current way you pay bills to these companies/entities?

I. I am satisfied because I cannot recall having a problem or someone saying they haven't received payment.

II. No, I'd like to have... do it on-line

III. No, I am not and - I think that nowadays everything is just so limited as far as your time to do - to actually sit down...

IV. I guess yes because I've never imagined an alternative and I have never taken the time what course of action I might take instead
V. I don't think anybody is
VI. No, because it has gotten a little bit out of control and if I worked full time I would be doing something completely different because
VII. I guess I would say yes with the exception of our cell phone bill which is the one we do on line; it is a pain... it seems like every time we log on, there's some glitch. I don't know how to better explain it.
VIII. Yes, it's the only way I know; it's the only way that I've been using all this time, I have no problem.
IX. #9: Yes I am, I mean, if I switch to electronic means it would be simpler
X. No, I am not satisfied because I think I have tried to pay electronically, but I have to admit that I am lazy when it comes to that.
XI. #11: I would say more or less - most of its automated as far as the payments are concerned so what I am looking for now is ideally fully automate it
XII. #12: Absolutely. I know that there new ways of paying on the computer but old people don't do it on the computer if they don't have one.
XIII. No I am not 100% satisfied because there is an inconvenience in going to the different websites, it's kind of equal out with the benefits of it.
XIV. #14: No I am not and that's why I am probably going to change and do the online thing and it's my vague understanding that there's a central
XV. Online, it's getting good, paper, no. And the fact that I have to pay bill, no.
XVI. No. I would like to receive my bills directly into Bank of

172
America because instead of sending you paper bills

XVII. #17: Well it's tedious and disagreeable and let me add that after I pay these bills, some of them I just throw out

What do you look for in a company/resource to assist you with paying your bills [e.g. on-line bill payment services]?

I. I've never had to call Quicken, which is the company we use - so, I don't - in the past I have had to call the bank directly. There was an instance where someone was using our name - using our name a co-signer - I had to make sure that that person, that the bank, I had to call the bank to figure out who this person was because this creditor was calling here and asking us about this individual

II. #4: For certain things that don't need my....like a credit card statement, I would never do automatically because I would want to examine the line items for to see if there's been any fraud which has often happened but for things that have no individual line items I would ....
III. The most important thing would be ease, automatically enter all the information. The second most important thing would be an accounting feature so that I can see how much I paid - you know, how much did I pay this year on groceries.

IV. I am going through Bank of America and I just think that I've been doing the tutorials as far as how to do it electronically, they are very friendly, customer oriented, it's just they are making it easy for you.

V. #5: Obviously it would have to be a credible company

VI. I would say a monthly statement. In the sense that... my mortgage company sends me a statement that say... just to show me that paid, paid, paid... when the insurance was paid so I can keep track of when the taxes were paid.

VII. #7: I guess the security is a big thing, it's a big deal, it is a lot of information that people would like to have and when there's like TJMaxx scandals for credit card...

VIII. #8: I guess, good service, but security is #1 concern and since I've never done it....

IX. #9: Well security is high on my list because you're giving away banking information and there are a lot of hackers out there

X. #10: one of the main reasons that I don't really look into paying my own bills online is security

XI. I will pay for convenience

XII. I think also the thing is that what really pushed me to do this was when I was going away for a long time on summer and I needed things done in advance that was the final straw to get me to get things online; that's when I could schedule the payments in advance.

XIII. #14: I understand that my bank (Bank of America) offers something and I was not going to look any further. Or maybe
partial; there may be some bills I'd want to pay by hand.... 

XIV. #15: To go on line, ease of use and reliability, they've come a long way where there used to be a challenge to a non-brainer, that's what I am looking for; security is not a problem

XV. #16: Just faster. Security was never a concern because I basically do online shopping, do online electronic transfers, things like that, so I am more trusting than probably your average person.

XVI. #17: Security would absolutely be essential. Time efficiency and the ability to track myself, to track all of us involved in the process.

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