PYMNTS | AMERICAN EXPRESS

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Improving The Campus Payments Experience

B2B And Digital Payments Tracker® Series

What's Inside

PYMNTS | **AMERICAN EXPRESS**

Need To Know
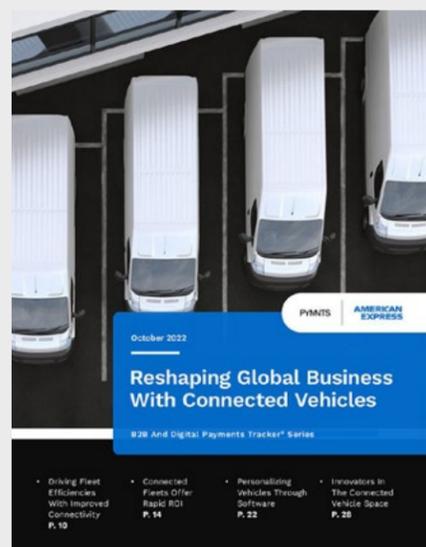
The Problem Of Payments In Higher Education

Although the federal government recently unveiled a plan to forgive a portion of student loan debt for many borrowers, higher education is still exceedingly expensive.

The price of tuition is the biggest culprit, with the average annual cost of tuition during the 2021-2022 school year for a public four-year university reaching $10,740 for in-state students and $27,650 for out-of-state students, according to CollegeBoard. The same report found that the annual cost of tuition hit $38,070 for four-year private institutions.

Tuition costs have soared in the past decade.

Percent change in the cost of tuition between 2010-2011 and 2019-2020, by school type

26%
public colleges

26%
private colleges

20%
public and private colleges

Need To Know

Outside of tuition payments, students spend a lot on campus.

Tuition payments are just part of the cost equation. A recent survey found that parents planned to spend a combined $28.3 billion this year on back-to-college-related expenses, equating to nearly $1,600 per child, up 10% from 2021. While some of this spending will occur off campus, there is still a considerable amount of spending on campus.

- Students make payments on supplies, textbooks, food and a variety of other activities and entertainment, such as sporting events and club dues.

- In 2022, students spent an average of $339 on course materials, according to the National Association of College Stores.

- When the costs of other school supplies are factored in, the average spend swells considerably: At public four-year institutions, students spend an average of $1,240 on books and supplies. Room and board is another major source of costs.

Room and board is a major source of costs for students.

Average annual room and board costs, by type of school

$9,330
at a public two-year college

$11,950
at a public four-year college

$13,620
at a private four-year college

Need To Know

The campus payments experience is plagued with pain points.

Despite payments being a major part of higher education, the school payments experience is rife with issues. Schools too often rely on legacy payments systems that are simply unequipped to handle modern payments needs. The payments infrastructure is often siloed between different payment operations, with systems handling tuition payments separate from those tracking payments in the dining hall, for example.

Another major problem relates to security. All too often, colleges are falling victim to data breaches and hacks. On Aug. 3, 2022, Marymount Manhattan College reported that hackers had gained access to students' names, social security numbers, driver's licenses, financial information and other sensitive data. A month earlier, Deakin University, an institution in Australia, discovered that it, too, was the victim of a data breach, resulting in the personal information of 46,980 students being stolen. In addition to data breaches, there are also significant challenges stemming from the types of payors with which colleges interact.

Share of colleges that view the following payors as difficult to work with:

53%
Foreign governments

39%
U.S. student loan programs

31%
Foreign students

13%
U.S. government

Need To Know

As a result of these issues with infrastructure and the types of payors involved in higher education, colleges frequently find themselves struggling to handle the payments-related aspects of higher education. According to PYMNTS' data:

- Twenty percent of financial leaders on college campuses identified losing too much money to fraud as their top challenge.

- The same survey found that 11% of financial leaders identified complications related to managing multiple vendor relationships as their top pain point.

Financial officials also identified a plethora of other frictions. In fact, the spread of answers in response to which pain points were top challenges reflects just how many problems plague campus payments systems.

There are many pain points plaguing campus payments.

TABLE 1:

Educational institutions' leading pain points
Share of financial leaders that view the following as their first-, second- and third-most acute pain points

	RANK			
PAIN POINTS	1st place	2nd place	3rd place or lower	TOTAL
Ability to handle payment questions from customers	6.7%	9.3%	14.7%	**30.7%**
The length of time required to receive payments	5.3%	10.7%	13.3%	**29.3%**
Too complicated to manage multiple vendor relationships	10.7%	6.0%	6.0%	**22.7%**
Too long to get new features into the market	6.7%	5.3%	14.0%	**26.0%**
Difficult to keep track of payments to suppliers	4.0%	4.7%	9.3%	**18.0%**
Difficult to obtain real-time access to sales and transaction data	5.3%	5.3%	9.3%	**20.0%**
Ability to handle recurring payments	7.3%	7.3%	14.7%	**29.3%**
Currently not optimized or streamlined for easy checkout	3.3%	14.0%	10.0%	**27.3%**
Financial suffering from fraud	20.0%	2.7%	1.3%	**24.0%**
Too many exceptions that require manual intervention	8.0%	6.7%	6.7%	**21.3%**
Process to accept international payments	8.0%	0.7%	2.0%	**10.7%**
Payment reconciliation/reporting processes are cumbersome	5.3%	4.7%	3.3%	**13.3%**
Unable to settle transactions for merchants in the platform	6.7%	2.0%	2.7%	**11.3%**
Decline too many good customers	0.0%	2.7%	2.7%	**5.3%**
Current providers are unable to serve industry or business needs	2.7%	3.3%	1.3%	**7.3%**

Source: PYMNTS
Smart Receivables Playbook: Education, July 2021
N = 459: Whole sample, fielded Oct. 30, 2020 — Nov. 12, 2020

Chart Of The Month

Campus Payments' Failing Grades

Colleges' current payments operations are quite costly. They are consuming, on average, nearly 3% of colleges' budgets. The true cost may be even higher when factoring in the hours employees spend addressing errors and filing paperwork.

Despite this cost, there is a widespread perception that most colleges' payments infrastructures are not as effective as they should be. More than 70% of payments professionals on college campuses believe their payments operations are somewhat or not at all effective.

Average portion of a school's budget spent on payments operations and their perceived effectiveness in education

PROCESSING COSTS
0.8%

OPERATIONAL COSTS
1.9%

TOTAL
2.7%

Very or extremely effective
28.0%

Somewhat effective
58.7%

Slightly or not at all effective
13.3%

EDUCATION
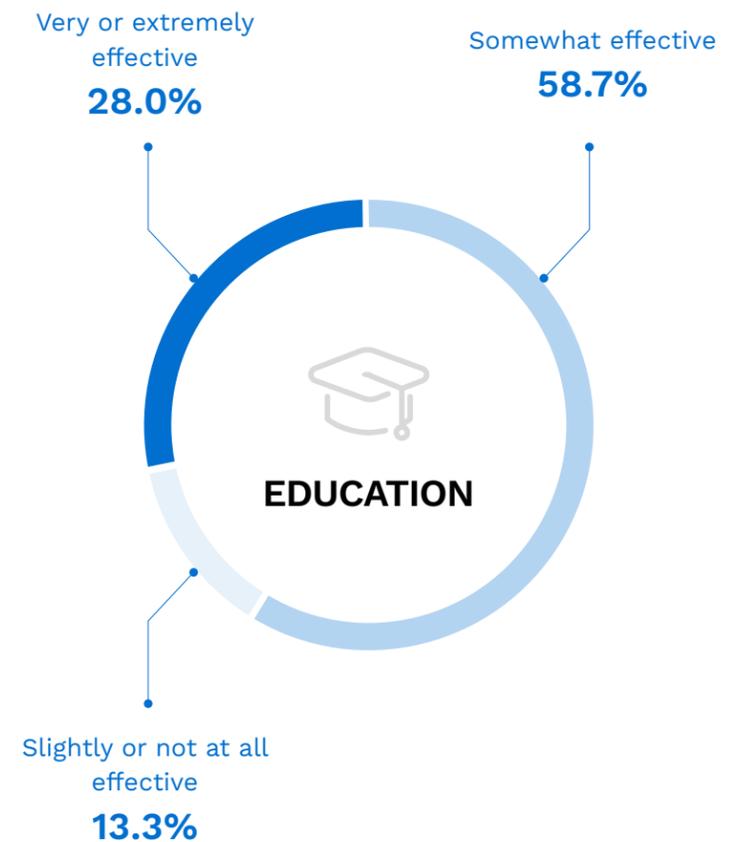
Source: PYMNTS
Smart Receivables Playbook: Education, July 2021
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Insider POV

Legacy Payments Cost Schools More Than Money

PYMNTS interviewed Adam McDonald, president at TouchNet, on how the company is helping colleges and universities simplify and modernize their payments infrastructure.

> " Students coming to college don't know a world without the internet, and they've experienced all of these new technologies and payment options their whole lives. So it's just an expectation at this point. It's kind of table stakes for what campuses need to provide from a student-experience perspective. "

ADAM McDONALD
President

touchnet

At a time when businesses everywhere are adapting to meet customers' increasing expectations for digital payment methods and technology-driven interactions, institutions of higher education are no exception. In fact, colleges' and universities' need to adapt is perhaps the greatest of all, due to their customer base: students.

The stakes of not providing the right solutions are high. McDonald explained that if education institutions do not keep up with student expectations, they will risk appearing to be behind the curve and not as technology-forward as they should be. As a result, persisting with outdated, legacy payments infrastructures could end up costing schools much more than money: They may start losing students.

Insider POV

STUDENTS WANT A QUICK, CONSISTENT PAYMENTS EXPERIENCE.

McDonald explained that students want a consistent experience across all the ways they pay and interact with their college or university.

"Whether it's online or [at a physical] point of sale, they expect a seamless, easy experience that supports all the payment methods," he said.

He added that since students coming to campus are overwhelmingly digital natives, these experiences must be possible on their phones as well, and they must also be secure. Younger consumers are increasingly aware of — and concerned with — the potential for data breaches, which have been hitting schools particularly hard in recent years. They are familiar with tools such as two-factor authentication from use in other parts of their lives, so if similar options are not available to secure their campus accounts, they will notice.

"When it comes to payment technology, according to our annual Student Financial Experience report, securty and ease of use consistently top the list of most important features for students," McDonald said.

CAMPUSES NEED TO EMBRACE NEW PAYMENT PLATFORMS.

The challenge for institutions is that many do not currently have the infrastructure in place to provide the types of experiences that students want. There is good news, however.

"You can create a fully integrated, fully unified payment system," said McDonald. "The technology exists to truly drive to this type of student experience with payments."

Schools can access this technology by working with companies, such as TouchNet, that allow them to consolidate their payment operations onto one platform that supports robust mobile experiences in a secure, compliant-friendly way. For schools with payments infrastructure that is splintered into different silos — with different systems handling tuition, campus dining and the bookstore, for example — this would drastically improve the business side of running a campus. Compliance and security would be easier, freeing up administrators to focus on other, more important tasks.

"We provide a platform that allows our schools to take every payment and every campus card transaction across the higher education environment in a secure and easy-to-administer fashion, all from the mobile phone," McDonald said. "We believe that simplifying this experience for students delivers tremendous benefits for the institution by ensuring security and compliance and easing the complexity of reconciliation. It's good for everyone."

Insider POV

Improving student retention with payments choice

Insights from Lauren Germaise, vice president and general manager of Merchant Services, Eastern Region and Government at American Express

LAUREN GERMAISE

Vice president & general manager
Merchant Services, Eastern
Region & Government

AMERICAN EXPRESS

> " It is important for colleges and universities to offer payment choice and flexibility to their customers, especially as tuition and ancillary on-campus costs increase and schools focus more on customer service. Choice and flexibility are necessary across the spectrum of payments — from meals and parking on campus to larger transactions for tuition payments. [These features are] critical to the retention of students during a time when colleges and universities are seeing a drop in enrollment. Also, digital credit card payment solutions enable colleges and universities to streamline their back-office processes, providing for enhanced customer service. "

PYMNTS Intelligence

Improving The College Payments Experience

Innovation is needed to improve the college payments experience.

Given the range of problems riddling the current payments infrastructure at many colleges, it is clear that innovation is needed. This is especially true because students are increasingly expecting convenient, technology-driven experiences. These range from paying with their phones to keeping track of their financial obligations through one app or online portal. These experiences also include using their ID cards to swipe into buildings and function as debit cards.

> " We're such a mobile society in this age group.
> **Students expect everything to be done on their phones.** "

MICHELLE HEMMESCH
Director of student accounts

PYMNTS Intelligence

At present, many colleges are struggling to provide such experiences. School officials are largely aware of this and are actively seeking out solutions. At the top of their list is better accounts receivable technology. PYMNTS found that 53% of school financial leaders say they need to expand their billing and subscription management capabilities. A striking 7% of these officials said they need to introduce such capabilities, reflecting how many schools do not currently even have rudimentary payments systems in place.

Financial leaders at colleges are also interested in innovating their payments infrastructures in other ways. The ability to offer flexible payment experiences is among the top types of functionality in which schools are interested.

- According to PYMNTS' data, more than 80% of financial leaders at four-year universities are interested in offering flexible payment plans tailored to individual student needs.

- The same survey found this number rose to 95% for financial leaders at two-year universities.

Share of colleges that currently have select capabilities but acknowledge the need to expand them:

48%
Real-time access to payment transaction data

37%
New payment methods

37%
Local payment methods

33%
Real-time payments

25%
Consolidated reporting across payments channels

PYMNTS Intelligence

ID Cards are a prime area for innovation.

In some cases, schools have already begun innovating. More than 500,000 students at 100 educational institutions have added NFC-enabled digital campus cards to their digital wallets. More schools are likely to follow this trend, as 52% of higher education executives believe ID management automations are compelling innovations in driving enrollment. Thirty-five percent believe this innovation would help their schools attract and retain skilled faculty and staff.

Many institutions are interested in innovating ID cards because they can deliver a range of benefits and functionality. The use of NFC-enabled cards, for example, allows students to verify their identities, access buildings and make contactless payments on campus from their phones. ID management technology can also be used in some unconventional and innovative ways. Schools can use this technology to automate recurring student support tasks and frequently asked questions, identify real-time behavioral trends and optimize resource allocation. Other use cases include the following:
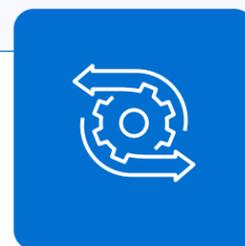
- **Mobile access**

- **Automated refunds and payments through mobile devices**

- **Self-service and remote permissions management for student and staff IDs**

- **Equipment tracking**

- **Administrator access to trending behaviors and campuswide finance data**

- **Order-ahead dining services and products**

Share of respondents who believe the following ID management capabilities would significantly improve their ability to meet performance goals:

45%	**43%**	**42%**	**37%**	**35%**
Administrator access to campuswide financial data	**Automating refunds, account reconciliation**	**Accessing account balance and making payments**	**Contactless dining**	**Order-ahead feature/service**

Companies To Watch

Cashless Campuses On The Rise

Michigan State University (MSU) recently announced that one of its local dining options, Marco's Pizza at College View, is now accepting flex dollars, the currency of MSU's dining plan, following a partnership between Marco's Pizza and MSU's Dining Services. As a result, students, staff and faculty can now use their meal plans to place orders on Marco's website.

On Aug. 1, the University of Notre Dame transitioned to having a cashless retail environment. The move was motivated by the desire to make the campus payments experience more efficient and, with the pandemic still ongoing, to maintain health. Now payments related to everything from buying food in the dining halls to concession purchases at sporting events will be cashless. The university took steps to help students without credit or debit cards by installing machines that allow the use of cash to purchase gift cards that can be used all over campus.

Companies To Watch

Those looking to dine on campus at Binghamton University will no longer be able to pay with cash. On Aug. 16, Binghamton University Dining Services announced that all on-campus dining establishments will now require students to pay via meal plans, dining gift cards or credit and debit cards, as well as other digital payment options.

" The big driver of going cashless is that cash sales have been on the decline over the last several years. Our cash sales are roughly one percent of overall sales volume. … The amount of time required to issue, balance a cash drawer in the morning [and] then, at the end of the shift, balance the same cash drawer and make a deposit and reissue the drawer for the evening [was] immense. "

THOMAS LASARSO
Director of retail operations for
Sodexo at Binghamton University

What's Next

Crypto Comes To Campus

As colleges modernize their payments infrastructures, some are turning to crypto, a trend that will keep growing. From supporting more digital payment options to revamping ID cards, colleges are increasingly modernizing their payments experiences. Cryptocurrencies could play an important role in the future, as some campuses are already starting to explore the use of crypto.

The Wharton School of Business at the University of Pennsylvania announced it would accept cryptocurrencies, including bitcoin and ethereum, as payment for the school's course "Economics of Blockchain and Digital Assets."

King's College in New York City and Bentley University in Massachusetts have also begun accepting cryptocurrencies for tuition payments.

About

PYMNTS

PYMNTS is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

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