

BillGO Whitepaper

JULY, 2021

What Consumers Want in Bill Pay Technology

Why FIs Must Embrace Modern Bill Pay Technology
to Keep Pace with Customer Expectation



Among the 15.5 billion bills paid by U.S. consumers in 2020, 62 percent were made online. Unfortunately for financial institutions (FIs), the vast majority of these online payments were made directly to biller websites. This is one key takeaway from BillGO's *How American's Pay Their Bills*—a 2020 study we completed with Aite Group to fully understand today's bill pay landscape.

That key finding - consumers pay only 22 percent of their online bills using bank bill pay technology - underscores a widening gap between what consumers want in bill pay technology and what they currently get when they opt to pay bills using the typical bank bill pay platform.

The study confirms the percentage of online payments made on biller sites grew from 62 percent in 2010 to 76 percent in 2020; over the same period, bank bill pay declined from 38 percent to 22 percent.

This may appear to be bad news for those FIs concerned about losing customers.

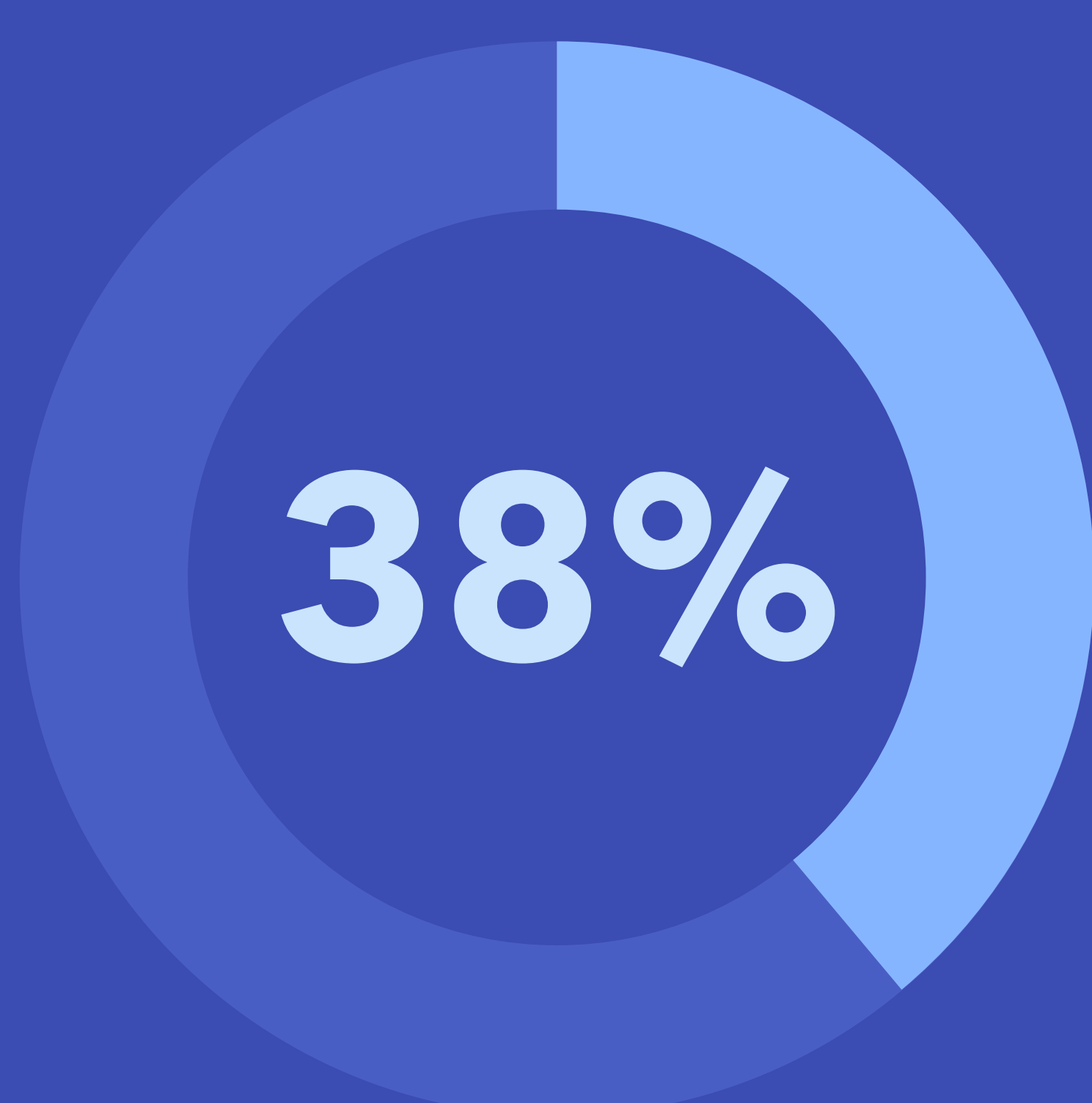
And, rightly so: substandard bill pay technology is a non-starter for digitally-savvy consumers in 2021. But modernizing bill pay technology represents a substantial opportunity for those forward-thinking FIs that recognize modern bill pay technology can serve as a magnet to regain customers and cultivate long-term, rewarding relationships.

That's exactly what one C-level executive from a top-50 bank told attendees during BillGO's recent *Demystifying the Bill Pay Business Case* webinar:

"By our analysis, it's about 10 to 15 percent lower attrition when someone is signed up and engaged with you in bill pay, and you're about twice as likely to be their primary bank to the extent that they are engaged in your bill pay."

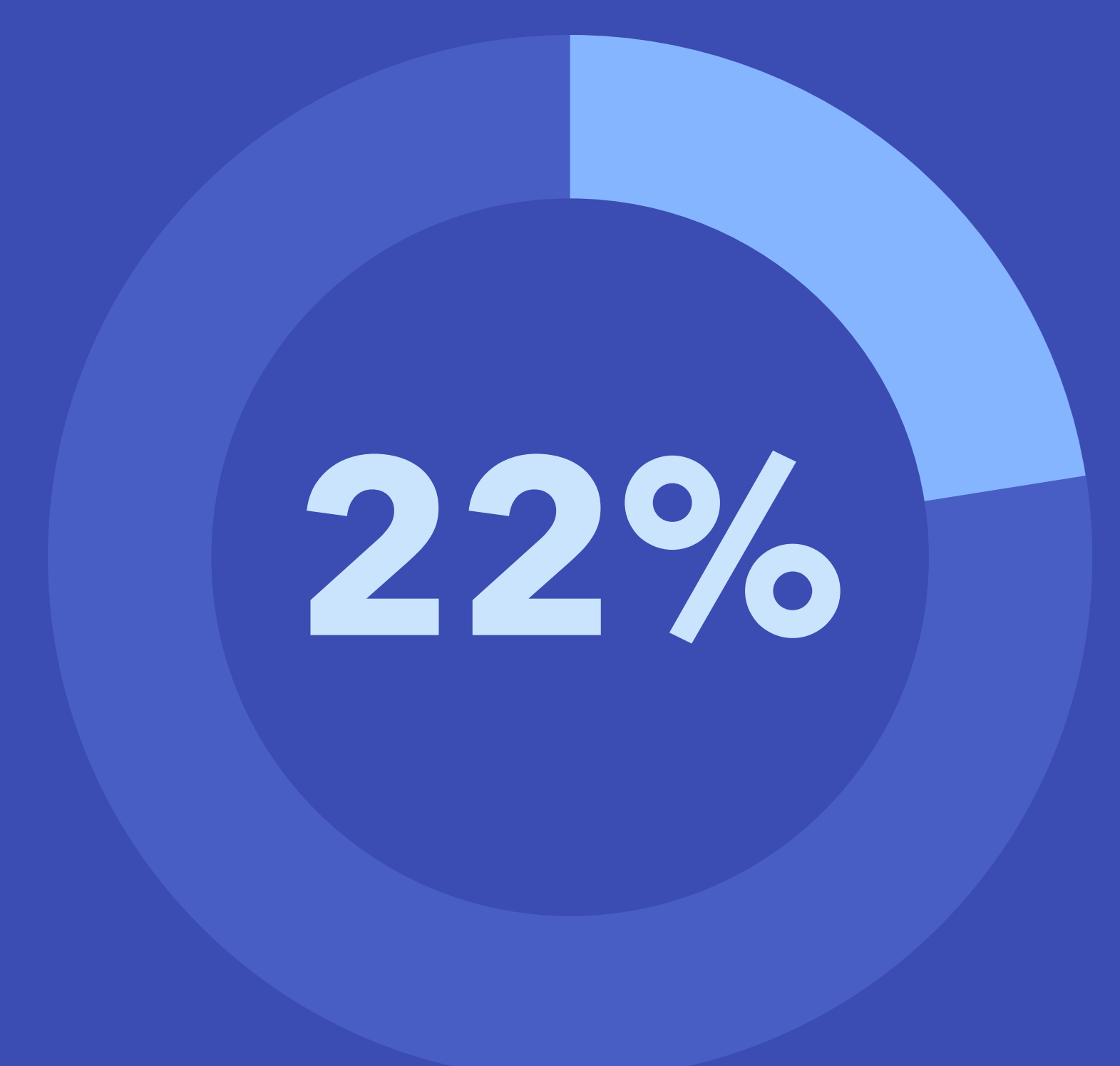
In other words, because his leading FI invested in providing customers with modern, fully-optimized bank bill pay experience—one that empowers customers with control, choice and convenience—it elevated the institution in the eyes of customers while at the same time providing insights into additional services customers could benefit from.

In order to understand how bill pay technology can help transform an FI's standing in the eyes of customers, it is essential to understand how the bank bill pay landscape evolved: where it is today and why consumers are currently migrating to biller-direct payment options.



2010

In 2010, nearly 4-in-10 consumers used bank bill pay. Last year it was about 2-in-10



2020



From Banks to Biller Sites

How We Got Here

"Ten years ago, banks had a nearly 50 percent market share on bill pay. They controlled that market for the most part," BillGO Co-founder and CEO Dan Holt told Terry Badger, BAI's Managing Editor, during a recent *BAI Banking Strategies* podcast.

"But," said Holt, "the last major upgrade in bank bill pay was in 2007. Just remember, in 2007, we didn't have these things called iPhones. The world has changed. Consumer expectations have changed. And bank bill pay hasn't changed."

It wasn't that long ago that bank bill pay was the better of the bill pay alternatives. So much so that consumers willingly paid their banks for the convenience of making bill payments through their institution. In addition to being a source of revenue, the fee-based model created a continuous feedback loop empowering FIs to better serve customers while competing with other FIs to provide the bill pay features, capabilities and experience consumers demanded.

However, according to Sara Grotta, Director of Debit and Alternative Products at Mercator Advisory Group, that changed when the fees went away. She said the migration from bank to biller sites began once banks introduced free bill pay making it the industry norm.

"As FIs dropped their fees, they stopped their investment in bill pay solutions in a big way," Grotta said in a recent BillGO webinar. "They saw bill pay more as an expense item and no longer as a differentiator."

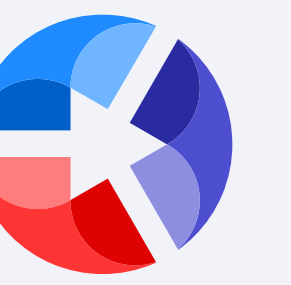
Billers, she said, recognized the opportunity to gain an advantage over those FIs that settled for the status quo. "[They] took matters into their own hands and started to create better ways to pay bills on their websites. They worked to create that better experience for the bill payers which, in turn, improved their bill collection and engagement."

Another finding one banking executive shared during the BillGO webinar was this: Although most financial services executives agree bill pay technology is a key component in the building strong customer relationships, most bankers he speaks with admit they haven't invested in new bill pay technology in years.

And, as Holt told BAI in January, 2021, this is an oversight FIs can no longer afford to make.

"The average consumer pays about 15 bills a month. They are literally going to 15 different websites and applications with different usernames and passwords," said Holt. "It's difficult. But seventy-four percent of them said 'I want [to pay my bills] all in one place.'"

"We have to give the consumers that [ability] right into their banks," Holt said. "Where they can get their data instantaneously, with an update, with a confirmation number when they make their payment. And give them the way to pay the way they want. If they want to use their debit card, let them use their debit card. If they want to use their credit card, checking account, prepaid card...whatever they want to do, let them do it. Give them that capability, and they will come back."



Bill Pay Preferences, Behaviors Driving Biller-Direct Market Share

The kind of consumer empowerment Holt describes is noticeably absent in the legacy bank bill pay platforms most FIs now provide their customers. For starters, when a customer logs into the average FI website to pay their bills, they typically can choose to pay their bills using their checking or their savings.

This binary decision is not the only thing holding back bank bill pay. Another factor contributing to its waning popularity is the lack of visibility it provides users. In most cases, they have no way of knowing if a biller even received payment – or when.

“Many Americans today live paycheck to paycheck, and sometimes they have to – or want to – wait until the day the bill is due to make the payment,” said David Hadesty, Vice President of Business Development at BillGO. “So, paying the biller directly gives the consumer the ability to make a payment that day and receive confirmation. That is very appealing to them compared to legacy bank bill pay, which typically has at minimum a one-day, if not longer, lead time.”

Hadesty’s assessment – drawn from 20-plus years of experience in the financial services industry – echoes the Aite findings.

According to *How Americans Pay Their Bills*, 28 percent of consumers pay bills on or near payday, 14 percent pay bills on the due date and 7 percent pay bills “when they can,” regardless of when they are due.

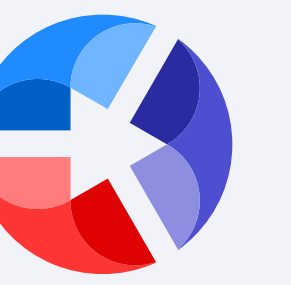
These findings underline the need for faster payment capabilities to help consumers avoid missed payments and late fees, and in part explain why consumers prefer biller-direct as opposed to paying through their banks.

At the very least, visiting individual biller sites may provide the payment speed and choice consumers want, but it also puts their login credentials at risk as they visit multiple biller sites, enter multiple logins and navigate through multiple payment portals.

How Americans Pay Their Bills confirms consumers would rather pay all their bills through a single, secure platform. And considering more than 80 percent of consumers around the globe say they are “happy” with their current bank, it is one more reason FIs must provide users with the singular bill-pay experience they want.

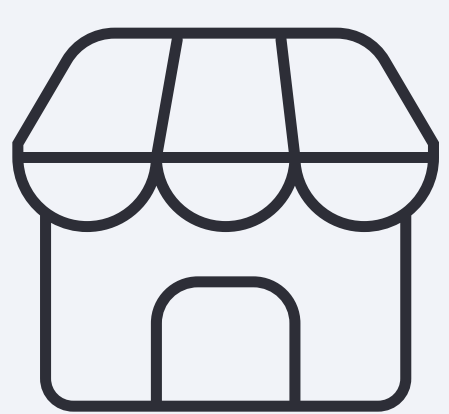
CONSUMER APPROACHES TO PAYING BILLS





Other Key Features in Best-in-Class Bill Pay

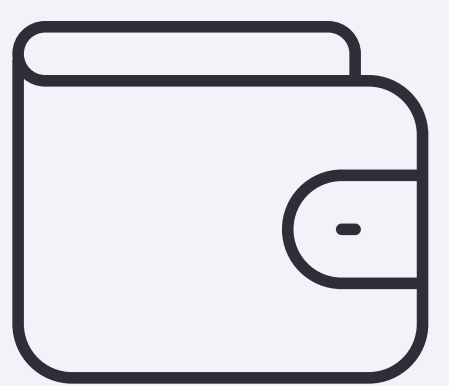
A secure, consolidated place to manage and pay all bills is just a start. Additionally, consumers are also looking for features such as quick biller setup, advanced bill presentment, real-time payments and instant payment confirmation can help FIs surpass the biller-direct experience within their own digital banking ecosystems.



Biller setup - Adding a new biller is one of the most friction-prone (and frustration-causing) activities for consumers using a single, central platform to manage all of their bills. To drive adoption of bank bill pay, FIs must alleviate this friction by making biller onboarding and linking fast, easy and intuitive.



Bill presentment - Displaying the amount due and due date for each upcoming bill is table stakes when it comes to bill pay. A better experience, and one that customers will appreciate, is the ability to view additional bill details via eBills or biller-generated PDF statements.



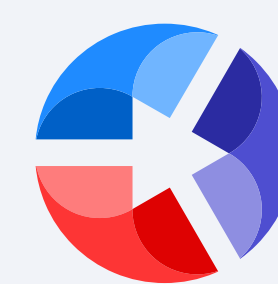
Payment choice - Today, if a consumer wants to pay a bill through their bank, they are mostly limited to paying via their checking or savings account. However, as explained previously, consumers overwhelmingly want choice when it comes to how they pay their bills. Modern bank bill pay should support multiple payment options, including ACH, credit/debit cards and virtual cards, to provide the choice consumers demand.



Payment speed - Consumers pay bills in different ways on different days for different reasons. Legacy bank bill pay, with its one day or longer lead time, may cause consumers to risk late fees or missed payments if they can't take care of a bill when they are ready to pay.



Payment confirmation - Along with payment choice, payment confirmation is the other component of delivering an optimal bill pay experience. When paying electronically, consumers expect instantaneous confirmation that their payment has been received. What's more, they expect a confirmation number that comes from the biller directly as opposed to a system-generated confirmation.



Giving Consumers What They Want

"There are over 15 billion different bills paid by consumers in the U.S. every year. We are now at \$4.2 trillion—in terms of the dollar value," said Holt. "And only about one-in-seven bills get paid using the bill pay platforms FIs offer."

According to Holt, this disconnect represents an opportunity that is not being missed by the many challenger banks and fintechs now dotting the financial services landscape.

These upstarts recognize bill pay is one of the "stickiest products" a financial services organization can offer because it leads to greater customer engagement, loan and card applications, and—ultimately—more profitable customers. And unlike mainstream FIs, they see the advantage in moving forward to deliver on what consumers want now.

"The fintechs see that and say 'look, we're not going to take years to do this, we're going to do this right now. Because, at the end of the day,'" said Holt, "fintechs recognize it's all about meeting consumer expectations."

Next Steps

BillGO empowers over 32 million consumers, thousands of financial institutions & fintechs to seamlessly make payments to over 170,000 supplier endpoints - transforming the way people make and receive payments. By combining speed, choice and intelligence with simple integration, BillGO is accelerating and delivering a new way to bill pay.

Driven by the core belief that everyone deserves access to a healthy financial future, BillGO's award-winning real-time bill management and payments platform transforms the dreaded necessity of managing and paying bills into an opportunity for financial well-being.

Visit BillGO.com, request a demo
and find out why it's GO time.

Request a demo

