The Battle for Bill Pay

Key Findings on how Americans Pay Bills

BILLGO™

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INTRODUCTION

Let's face it – no one likes paying bills.

Beyond being tedious, bills induce anxiety in many of us due to the often-severe repercussions when they are not paid. But what if it didn't have to be that way?

More and more consumers are demanding a better way to bill pay™ to help reduce the risk of missed payments, late fees, overdrafts and credit score fluctuations that have overshadowed bill pay for decades. Meanwhile, retail companies such as Amazon are driving the push for better, more convenient digital experiences in all aspects of our lives, including bill pay. If financial institutions (FIs) or fintechs do not or cannot offer that experience, consumers will go somewhere else to get it.

Many FIs specifically still struggle to meet modern consumer expectations when it comes to bill pay, primarily because they continue to rely on outdated technology and a patchwork of band-aid vendor solutions. To succeed, FIs must rip off these band-aids and reevaluate the bill pay technology they offer customers.

Read on to discover five key insights that can help FIs take advantage of the shifting landscape and win more business.

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FINDING 1

Late payment anxiety remains.

We've all been there – holding our breath for a bill payment to go through on time, knowing you will face late fees or worse if it doesn't. Stress over bill pay remains a pressing concern for most Americans. A 2020 study from Aite Group and BillGO found 53 percent of consumers get anxious thinking about bills sometimes, most of the time or always[1], begging the question: what exactly is causing that anxiety?

In 2021, BillGO, in collaboration with PYMNTS, conducted another round of surveys zeroing in on some of the key drivers behind this fear. Forty-eight percent of respondents say they are "very" or "extremely" concerned about making late payments that impact credit score or incur fees, while 44 percent are concerned about tracking when payments are made, funds are withdrawn and payments are credited to accounts. These concerns increased almost 20 percent for those living paycheck to paycheck.[2]

When you look at the current credit score landscape, it's easy to understand the source of this anxiety. According to FICO, depending on a person's credit history, a single late bill payment can trigger as much as a 180-point drop to a consumer's credit score, meaning someone classified as having a "good" score could find themselves labeled "very poor" due to a single overlooked bill.[3] From this, two clear priorities emerge for most consumers: 1) paying bills on time and 2) having a way to track and confirm payments have been made.

These priorities represent an opportunity for FIs to innovate their bill pay technology to meet the needs of current customers and earn more business. Rather than forcing consumers to juggle dozens of direct biller websites and login details, FIs can offer a consolidated platform that lets users make and track payments in real-time.

48%

of consumers are "very" or "extremely" concerned about making late payments that impact credit score or incur fees.

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FINDING 2

FI bill pay is on the rise, but there is still room for improvement.

To combat late payment anxiety, many consumers are already turning to their financial solutions seeking a more streamlined, transparent way to bill pay. In 2020, Aite Group found that only 22 percent of respondents used their bank to pay online bills.[1] Approximately one year later, PYMNTS found that number increased to 49 percent.[2] According to BillGO CEO Dan Holt, this change suggests, "Financial institutions have seen the need to update their bill pay platforms and are collaborating with fintechs to fast-track bill-pay enhancements."

Despite this progress, 66 percent of consumers still pay some or all their bills directly to their billers or services providers[2], suggesting most FIs still have a ways to go. According to Holt, "this is because most legacy bank bill pay platforms do not allow customers to make real-time payments, versus direct billers which provide same-day payment confirmations. When you consider consumer anxieties around credit scores and late fees, it's clear that offering real-time payment tools is imperative if FIs hope to pull ahead of direct billers in meeting consumer needs."

Collaborating with fintechs is an excellent way for FIs to fast-track development of these tools. One study found, "fintech innovations are helping reduce the cost of providing services, making it possible to reach more people, and reducing the need for face-to-face interactions…"[4] Case in point: BillGO, a fintech trailblazer, is already working with several leading FIs to create a faster, more secure bill pay process by giving customers a way to easily organize payments and obtain instant confirmation when payments are made and received.

Offering real-time functionality is just one way FIs can improve their bill pay platforms. Other key areas of focus include:

1. Biller setup
Streamline the process of adding new billers to make onboarding fast, easy and intuitive.

2. Bill information
In addition to showcasing amounts due and deadlines, enable users to view additional bill details via eBills or biller-generated PDF statements.

3. Payment choice
Support multiple payment options including ACH, credit/debit cards and virtual cards to meet consumer demand.

4. Payment confirmation
Provide instantaneous confirmations once payments are made, complete with confirmation numbers directly from the biller.

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Consumers require incentives to switch bill pay methods.

Now that we touched on a few of the potential areas FIs can target to improve their online bill pay tools and win back customers, let's see if the data validates our hypothesis.

According to the 2021 PYMNTS study, 63 percent of consumers who did not use their FIs' online bill pay services to pay all their bills saw no reason to do so. Specifically, 52 percent felt the payment experience their FI offered failed to match the service they were currently using, citing features like rewards, alerts, reminders and statement details.[2] This means FIs must offer a significant incentive for customers to switch where they do bill pay.

What features would entice customers to switch? As mentioned, the ability to pay and receive confirmation in real-time is paramount. Consumers want a way to easily schedule payments without worrying whether they will go through on time. In fact, 69 percent of consumers want scheduling tools, real-time payment confirmation, and the ability to pay on due date. Close behind (60 percent) is the desire for flexible payment options and rewards for paying bills, followed by tools for budgeting, managing cash flow and helping avoid late or overdraft fees (41 percent).[2]

FIs hoping to differentiate their bill pay options in a crowded and competitive landscape must listen to their customers and consider collaborating with innovative fintech providers that can help them deliver on consumer needs.

52%

of consumers feel the payment experience their bank offers is not better than the bill pay service they are currently using.

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Microloans may be an attractive solution when money is tight.

The 2020 Aite Group study also highlighted some of the added burdens the COVID-19 pandemic placed on consumers. Fifty-six percent of respondents experienced loss of employment or reduction of income compared to 2019, while 53 percent saw an increase in expenses.[1] These combined factors made it more challenging for many to meet their financial obligations.

Given that 28 percent of consumers make bill payments on or near paydays[1], the economic impact of COVID-19 transformed many already-difficult bills into nearly-impossible ones. This context puts the 2021 PYMNTS study in perspective, which found that nearly one-in-five consumers are interested in microloans from their FIs to help them bridge the gap between payday and a bill's due date. The factors fueling this interest varied by respondent, with the top incentives being 1) the loan fee is less than an overdraft fee, the biller late fees, or credit card interest rates and 2) the loan can provide immediate access to funds when needed.[2]

This means microloans represent a significant opportunity for FIs to differentiate their bill pay services. Paying billers directly requires consumers to keep track of – on average – a dozen bills each month across individual payment sites, which only adds to the anxiety associated with potential late fees. In contrast, savvy FIs can offer a consolidated payment platform with options for affordable microloans that not only help reduce the prospect of late fees, but also help protect a customer's credit score if they are unable to pay a certain bill.

1 in 5 consumers are interested in microloans from their FIs to help bridge the gap between payday and a bill's due date.

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People need help managing the increasing volume of subscriptions.

Despite the economic hardships caused by COVID-19, 2020 saw an uptick in subscription services as consumers adapted to shelter-in-place lifestyles and searched for ways to cope with social distancing requirements. In the first week of May 2020, subscriptions increased by 85 percent across all industries.[5] This created an influx of new monthly charges that became more challenging for consumers to track.

While a $9.99 subscription charge may not be what most Americans think of when they hear the word "bill," those recurring charges can quickly add up. In fact, 74 percent of consumers who have set up subscriptions are at least "somewhat" concerned about them getting canceled or stopped due to credit or debit card issues.[2]

More than half of the credit or debit card users who are concerned about their subscriptions being canceled cited fears that their cards could be compromised in a data breach. This is not surprising given that those same consumers had their cards compromised and reissued an average of 1.5 times in the last five years alone.[2]

Despite this fear, 52 percent of consumers say debit or credit cards are still their preferred payment method for subscriptions.[2] FIs could look at this dissonance as an opportunity to offer a more secure alternative for subscription bill pay. If more than half of customers are not satisfied with their preferred method, then the door is open for someone else to step in and take that business.

74%

of consumers are at least "somewhat" concerned about their subscriptions getting canceled or stopped due to credit or debit card issues.

THE SOLUTION

BILLGO™

If your organization is ready to deliver on the bill pay needs of today's consumers: one that enables them to pay and manage all their bills using a single, seamless and consolidated resource, think BillGO.

Driven by the core belief that everyone deserves access to a healthy financial future, BillGO's award-winning real-time bill management & payments platform transforms the dreaded necessity of managing & paying bills into an opportunity for financial well-being. Used by over 30 million consumers and thousands of financial institutions, fintechs and billers, BillGO combines speed, choice and intelligence with simple integration to change the way people make and receive bill payments.

BillGO's real-time bill pay platform and network of networks harnesses the power of speed, choice and intelligence to innovate at the speed of today's digital customer.

Visit BillGO.com and learn about The New Way to Bill Pay™

SERVING

- 8K+ Financial Institutions
- 170K+ Billers & Supplier Endpoints
- 32M+ Consumers

AWARDS

- Best Workplace, *Inc. (2021)*
- Best Place to Work, *Fortune (2021)*
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