



HOW FINANCIAL INSTITUTIONS CAN WIN THE BILL PAYMENT GAME

To win over and retain new customers,
FIs must modernize their bill payment platforms

Introduction

In the last decade, as consumers have gotten used to streaming, surfing, shopping, and sharing their way across the digital landscape, they have come to expect seamless, frictionless, secure and transparent interactions with the companies they do business with.

Nearly every industry has delivered on those expectations—especially the financial services industry, which has led the way in pioneering an array of innovations designed to make digital “touchpoints” easier.

Yet, one key financial services function continues to lag: bill payment. And consumers have noticed.


Right now, most U.S. adults reject the bill pay services their financial institutions (FIs) offer. Instead, they are willing to trust their payments to less-than-secure and inefficient biller-direct payment platforms. Not only does this put consumers at risk, it represents a missed opportunity for FIs.

This eBook draws on new data collected by Aite Group on behalf of BillGO (which was released in a special report, *How Americans Pay Their Bills*). The data shows exactly where FIs are coming up short in the bill payment options they offer their customers. It also offers steps FIs can take to win back—and retain—their customers.



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“ Consumers expect a modern and centralized digital experience when managing and paying their bills, complete with real-time confirmations. FIs that fail to deliver on these expectations are missing out on a major opportunity. ”

The Bill Pay Landscape

In the last 10 years, the financial services industry has invested billions of dollars in technology upgrades. As a result, almost every intersection where consumers and FIs “meet” has been streamlined to ensure users can enjoy a seamless digital experience. Deposits, withdrawals, balance inquiries, transfers, loan applications, check-cashing, account opening and many other common banking services can now be completed in a few clicks or screen swipes.

Not only have consumers benefited from this technological transformation, but FIs have as well in the form of lower operational costs and higher levels of customer satisfaction.

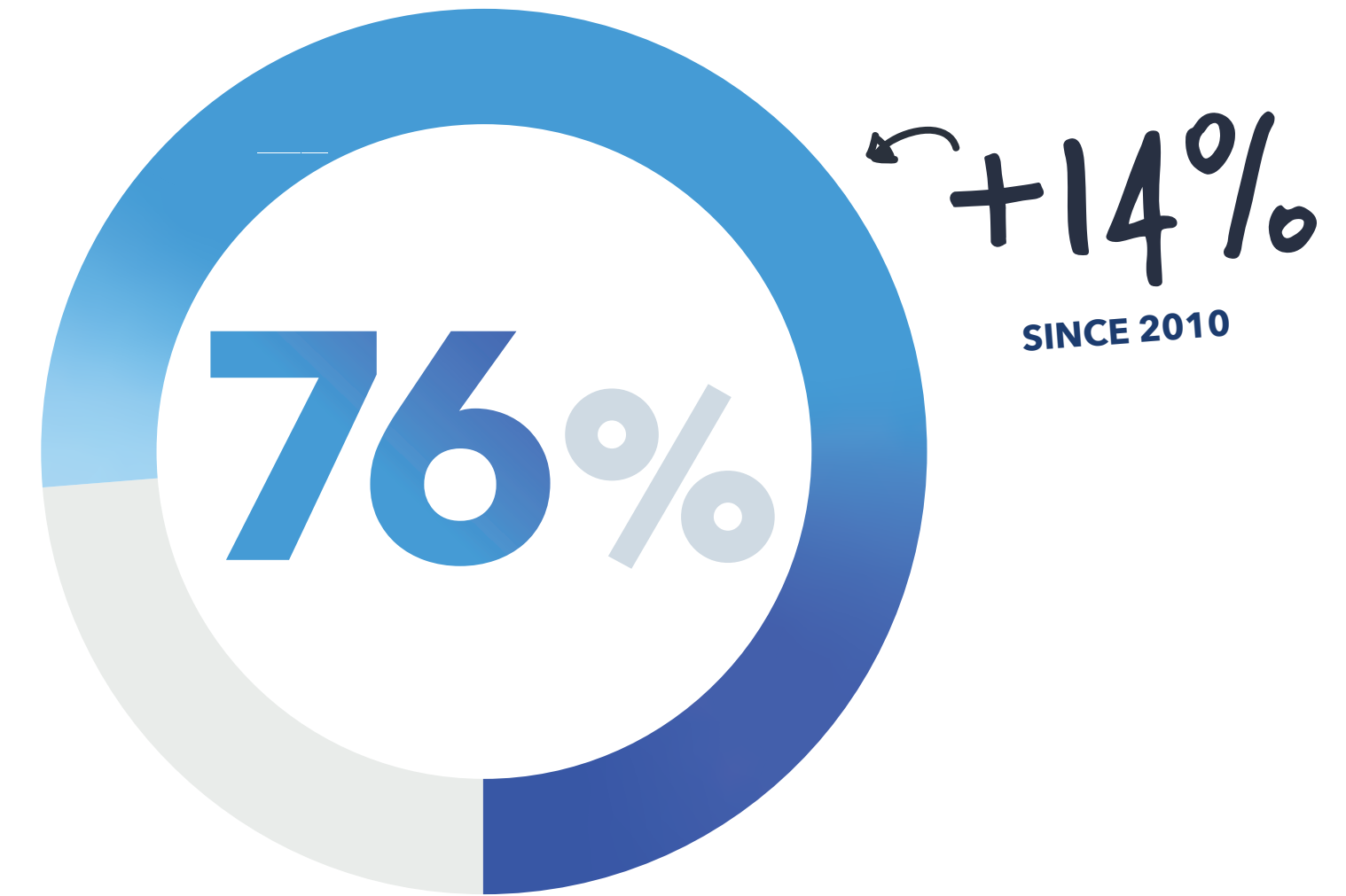
Except in one case: *the bill payment process.*

Despite a decade’s worth of technological innovation, most FIs offer their customers a bill pay experience that is difficult to maneuver and out of touch with today’s UX best practices.

Consumers Prefer Biller Sites

Independent research bears this out.

According to a nationwide survey compiled by Aite Group (and sponsored by BillGO), most Americans reject the bill payment platforms their FIs provide. As of 2020, 76 percent of respondents use biller sites to make payments (up significantly from the 62 percent who did so in 2010). Meanwhile, only 22 percent of consumers use the bill pay services their FIs offer (down from 38 percent in 2010).



of online bill payments are made at **biller websites**

All of this rise comes at the **expense of banking websites** which continue to decline since 2010



Generational Tendencies

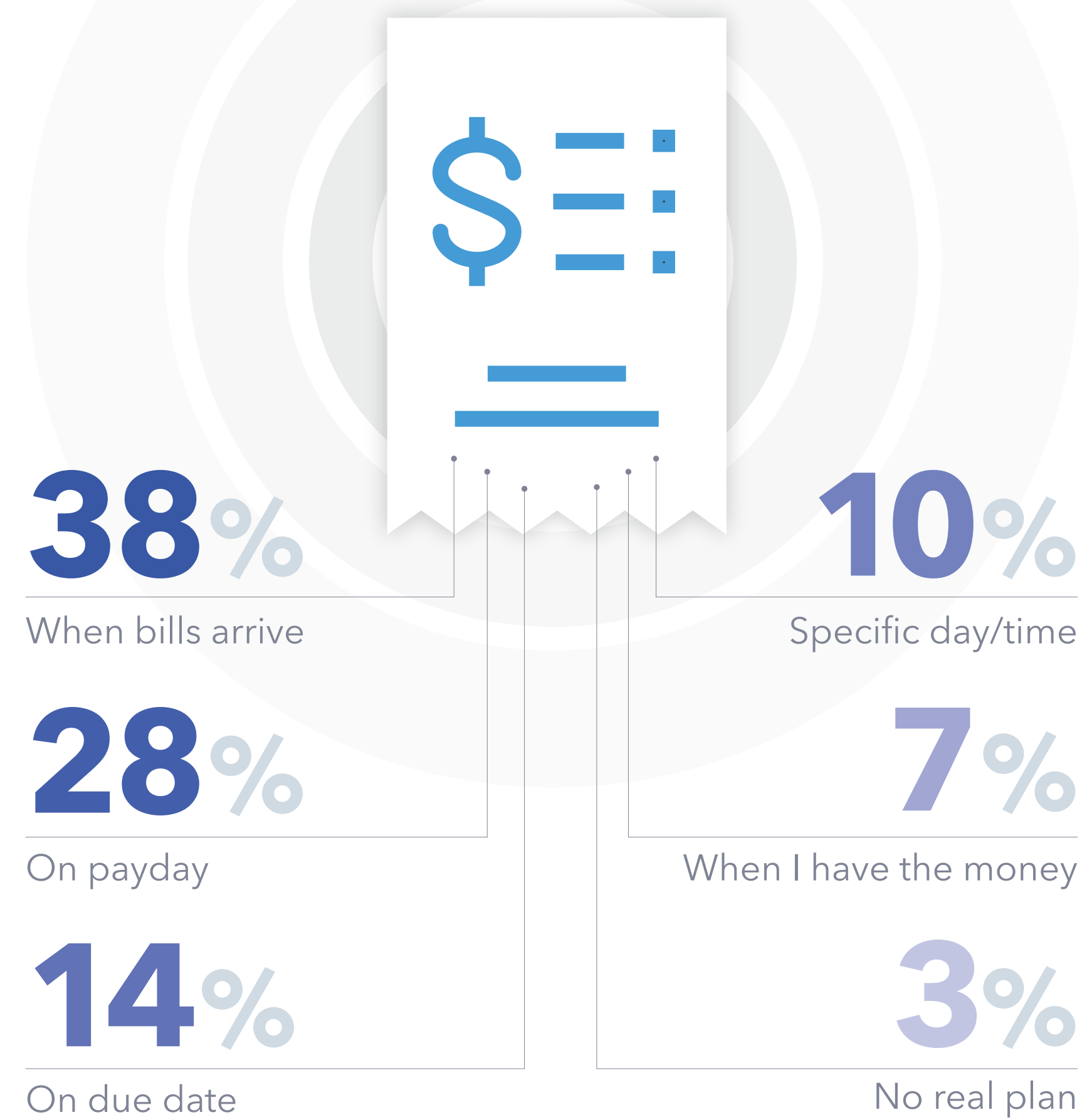
It's not generational preferences that are driving consumers to biller payment platforms. Consumers of all ages recognize bank-pay services are inefficient and outmoded.

Yes, nearly 80 percent of digitally-conditioned Gen X/Gen Z consumers prefer third-party bill payment systems, but so do 71 percent of Seniors and Boomers.

Prefer third-party bill payment systems



When Consumers Pay Their Bills



How They Pay Their Bills

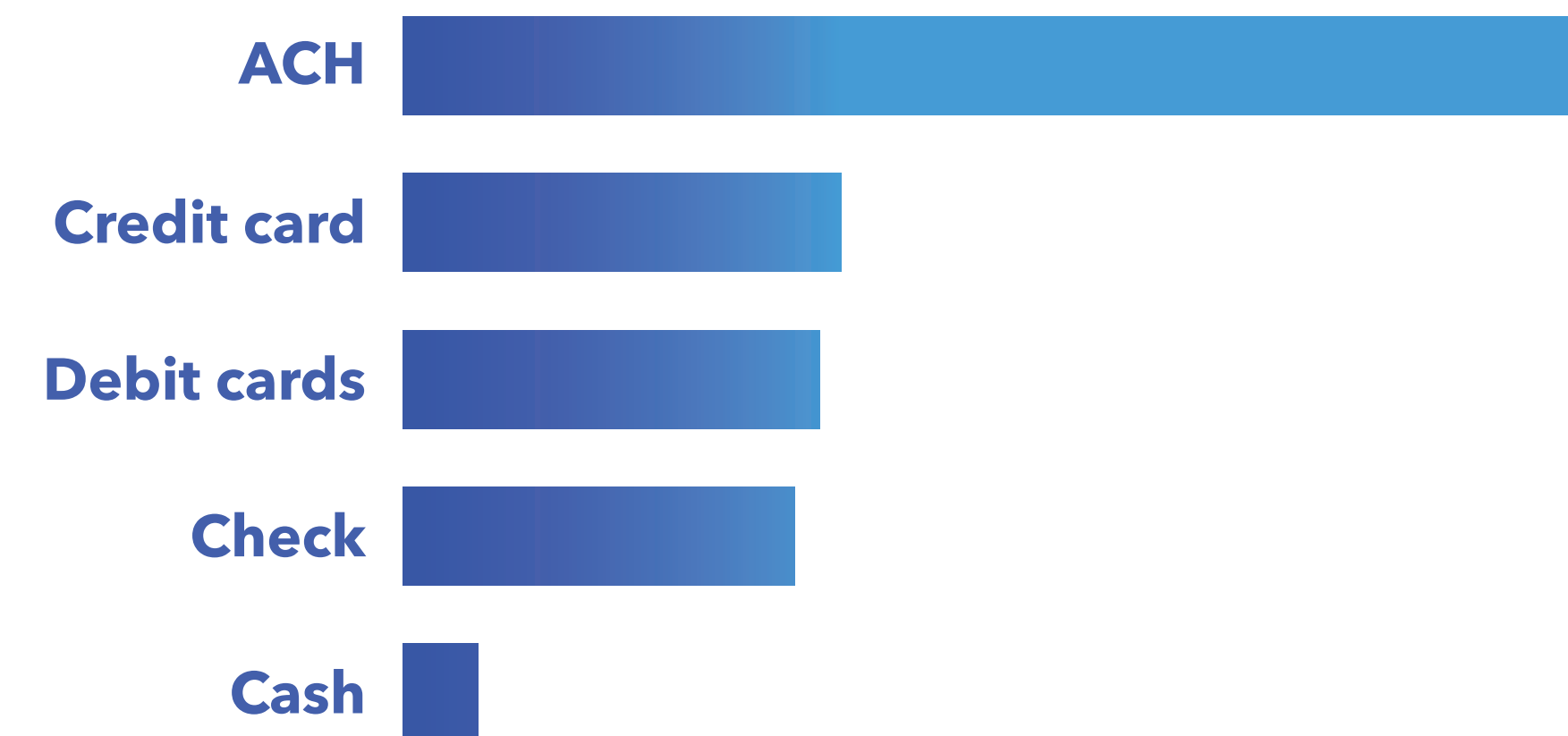
Checks and other traditional forms of payments are not dead.

Most consumers still lean on traditional payment methods to meet their financial obligations.

Last year 45 percent of payments were processed through ACH. Americans reached for their credit cards 2.6 billion times, their debit cards 2.5 billion times, and their checkbooks 2.3 billion times.

Two thirds of all bills are paid as one-time payments, while the other third is paid on a recurring basis. And online payments are the most common, accounting for 58 percent of one-time and 68 percent of recurring bills.

Billing & Payment Options



ACH represents **45%** of the total number of payments and cards account for **33%**

Why Consumers Reject FI Bill pay Services?

The answer is most consumers perceive bill payment technology as clumsy, limited, less-than-secure, and outmoded. As Aite Group's David Albertazzi recently told [Bank Director Magazine](#):

“The [bank bill pay] model and the experience have not changed for many years... Today, it's pretty prone to friction.”

This friction, Albertazzi explained, comes in many forms, including offering customers limited account options while requiring them to manually input payee and account information (a process ripe for error). Even after customers input this data, the typical bank-based bill payment platform fails to provide payment confirmations, status updates or any sort of visibility of payment activity.

The Result

Right now, FI bill pay options are perceived as being so clunky that most consumers instead opt to struggle each month with decentralized, one-off biller platforms that require them to manage a variety of account numbers and due dates. But that's not all. Third-party biller platforms also force consumers to...

- ▶ Put login credentials and credit card numbers at risk
- ▶ Juggle numerous biller websites and manage multiple accounts
- ▶ Forsake financial independence

“

Of the \$3 trillion in bills paid as one-time payments last year, **\$1.2 trillion** worth of bills were paid on billers' websites – while **only \$443 billion** was spent on bank websites.

”

What Consumers Want

Aite's and BillGO's research revealed exactly what consumers are looking for when they consider bill pay options. Below are those features consumers say are the most important ones they want in a bill payment platform:

95%
Security of Data

94%
Easy to Read/Review

91%
Speed of Payment

89%
Payment Choice

74%
Single website to view,
manage and pay

What Forward-Thinking FIs Need to Do

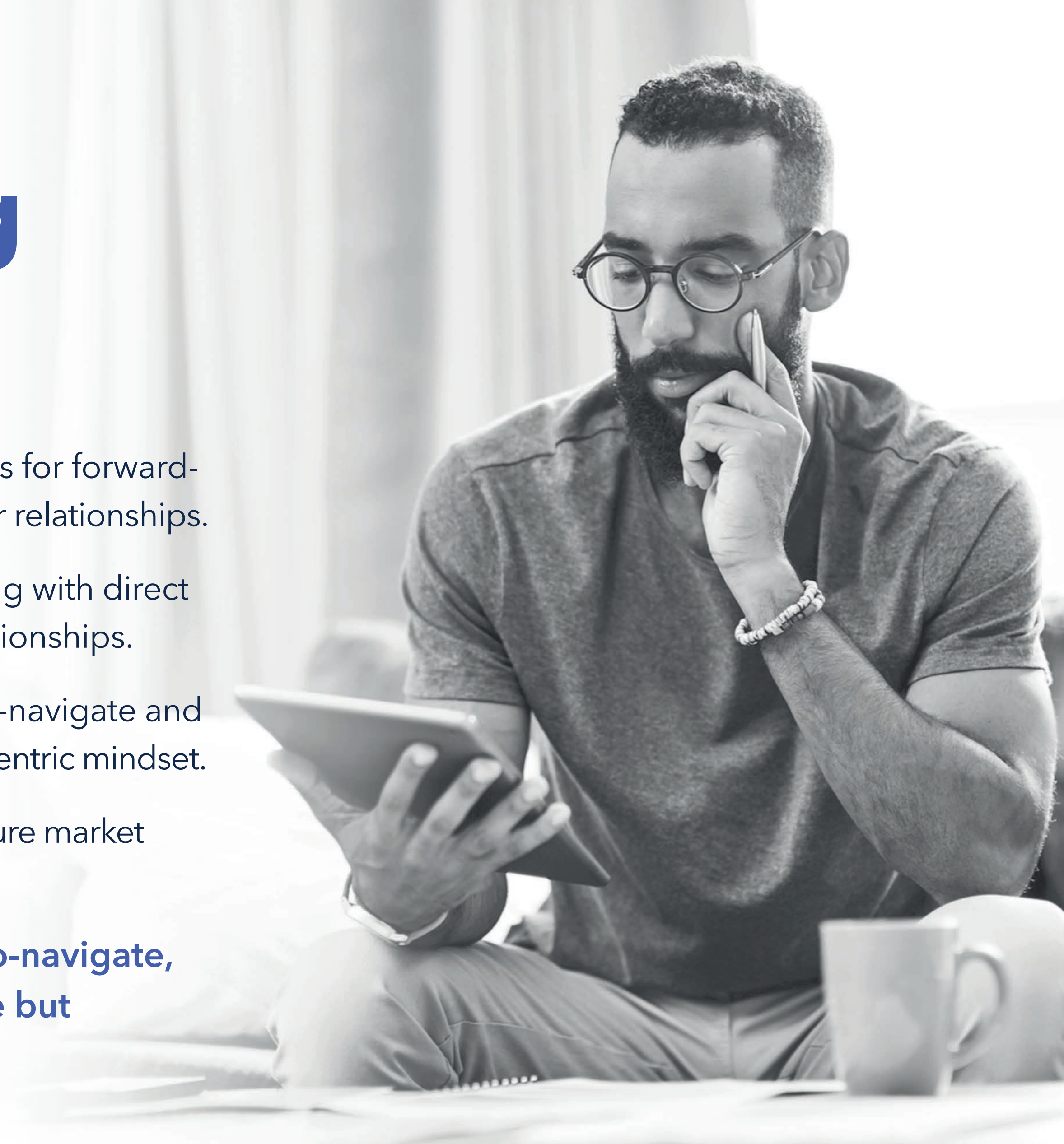
The good news is those biller-site inefficiencies translate into opportunities for forward-thinking FIs to step in, win back consumers, and build long-lasting customer relationships.

As Albertazzi said, bill pay represents one of the three service pillars - along with direct deposits and loan payments - that form the core of most customer/FI relationships.

By delivering state-of-the-art bill payment services that are secure, easy-to-navigate and provide full visibility, it permits FIs to shift from a transactional to a customer-centric mindset.

“Once financial institutions do that, then there’s a great opportunity to recapture market share,” Albertazzi said.

FIs need to deliver a bill paying experience that is a secure, easy-to-navigate, frictionless experience that can be completed in less than a minute but provides users with full, end-to-end bill paying visibility.



Why COVID-19 Makes Cutting-Edge Bill pay Essential

It's important to remember our research was conducted during Q2, 2020 when the spread of COVID-19 (and the accompanying anxiety) was first sweeping across the U.S.

Even before COVID dominated the national dialogue, the financial services industry was focused on delivering a new kind of digital experience to its customers—one that would reflect the sort of UX consumers had come to expect from Apple, Google, Uber and Amazon.

But, with the arrival of COVID, there was a new urgency behind this digital acceleration. The pandemic brought shelter-in-place rules that forced consumers to rely on digital channels more than ever.

One-in-three FI customers [reported](#) increasing their online banking usage, which is noteworthy because many of these new online bank customers were Boomers and

Seniors—two segments traditionally slow to embrace digital channels.

Now more than ever—because of low interest rates, reduced consumer spending and increased loan provisions—FIs are under pressure to acquire and retain new customers. Offering users a better bill pay experience is one way to do that.

Today's consumers need bill pay solutions that deliver:

- ▶ Easy interface
- ▶ Efficient and safe transactions
- ▶ Billing detail, notifications, and confirmations
- ▶ Fast payment speeds and options

Before COVID, digital transformation was “nice to have”. Now it is a necessity. Banks must modify their business and operating models to better serve customers.

Today's Bill Pay Market Opportunity

Consider this: Americans pay a lot of bills.

How Americans Pay Their Bills determined U.S. consumers pay more than 15 billion bills annually—totaling almost \$5 trillion in value.

15.4B

Total number of bills



\$4.6T

Total GDV of bills

*Gross Dollar Value

What This Means for FIs

Even before COVID-19 reshaped modern life, consumers were already transitioning to a mobile-first, subscription-based lifestyle.

Now, in a post-pandemic society—where human interaction is discouraged—smooth and seamless digital interaction is a necessity. Those businesses that fail to facilitate effortless digital interaction run the risk of obsolescence.

FIs wishing to stay relevant must invest in next-gen bill pay technology, especially if they wish to capture and retain Millennials, Gen X, and Gen Z consumers.

Doing so enables them to provide digitally-savvy consumers with exceptional mobile and online banking services that include centralized, cutting-edge, comprehensive, and secure bill payment services—services that offer transparency and end-to-end bill payment visibility.



Next Steps

“We worked with Aite Group to compile *How Americans Pay Their Bills* to give FIs a comprehensive picture of today’s bill pay landscape,” said Dan Holt, CEO of BillGO.

“The findings serve as a wake-up call. Consumers expect a modern, centralized digital method to manage and pay their bills. Those FIs that fail to deliver on these expectations are missing out on a major opportunity.”

Now is the time to introduce a smooth, seamless, and transparent bill paying experience. Find out how BillGO is helping FIs, fintechs and big tech organizations deliver next gen bill pay technology.



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¹Aite Group Methodology: : This data in How Americans Pay Their Bills was compiled by Aite Group during Q2 2020 using a survey of 3,039 U.S. consumers. The survey was conducted online among consumers who participated in a research panel. The profile of the sample is in proportion to the U.S. population for age, gender, income, geographic region, and race. The data for the full sample for each year have a margin of error of 3 points at the 95% level of confidence; statistical tests of significance were conducted at the 95% level of confidence.

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