

Payments Executive Brief: Capitalizing on Bank-Centric Bill Payment

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With U.S. consumers paying approximately 15 billion bills valued at \$4 trillion annually, nearly 30 percent of all consumer spending comes in the form of bill payment. This market presents significant opportunities for community banks.

Bank-centric digital bill payment has long been an offering provided by community banks, but despite its prevalence, there has been a decline in usage. In 2010, almost 40 percent of consumers made their online bill payments through their bank, but the number is now down to as few as 27 percent, mostly due to an increase in biller-direct payments at the biller's website.

Yet, opportunity still exists to grow bank-centric bill-pay usage. In fact, recent studies have shown a preference for using traditional financial institutions for bill payment versus fintech or big tech bill pay, with more than eight in 10 saying they are likely to use (or continue to use) their primary financial organization.

How Community Banks Benefit from Bank-Centric Bill Pay

In addition to providing an important service to customers, bank-centric bill pay offers numerous benefits to the bank by:



Improving customer retention and revenue. Customers that use bank bill pay have two to three more products, contribute more than \$200 in incremental annual revenue, and have an attrition rate that is less than half that of nonusers.



Increasing customer satisfaction. More than half (53 percent) of consumers say bill pay is the most important mobile banking feature.



Keeping you at the center of your customer's financial world. Bill payments are the backbone of a bank's payment relationship with its customers and creates additional cross-sell opportunities.

How Consumers Benefit from Bank-Centric Bill Pay

Bank-centric digital bill payment provides consumers with the time savings, simplicity, security, and transparency that they desire in their payment services. Encouraging your customers to use your bill-pay services also supports:

- Greater control, allowing customers to schedule payments for when they're due.
- Improved transparency into their financial position. Because bank-centric bill payment is uniquely linked to their bank accounts, customers can check their balances before making payments. This is important in a difficult economic environment where payment timing counts.
- Efficiency. Your customers can stage all bill payments for every month and "set it and forget it" with greater control and line of sight to finances.
- Convenience and simplicity. Once billers are set up in the system, customers can easily make payments with a central view of their payments.
- Increased security. Consumers know they can trust their bank to keep their financial information and money safe and secure.

Digital Wallets May Offer New Bill-Pay Competition

As you consider bill-pay offerings, keep in mind that increased digital wallet use may impact your customer relationship in this area.

59%
use
digital
wallets

↑
8% from just
one year ago



2 in 5

who use
digital
wallet
payment
methods say
they have
paid a bill
that way



**3 in
10**

say they
would
consider
using a
digital wallet
to pay bills
in the future

Emerging Opportunities for Bank-Centric Bill Pay

- **Real-Time Payments.** As faster payments come online, bank-centric bill payment will allow for the just-in-time payments that currently drive consumers to the biller-direct model. This will make bank bill payment even more attractive by solving for the immediacy pain point. In fact, 78 percent of consumers feel that real-time payments are either “extremely” or “very” helpful in paying their bills on time.
- **Request for Payment.** While request for payment is not a new concept, the advent of faster payments makes it more of a potential new reality. In addition to easing the reconciliation process for businesses and helping the bank remain the center of the transaction, this functionality supports significant cost savings. Take the United Kingdom, for instance, where request for payment was implemented at the end of May and is estimated to save between £2 and £3 billion per year.
- **Voice Payments.** With an estimated 83.1 million smart speaker users in the U.S. and service providers announcing products to support bank-centric voice bill payment, there’s a significant opportunity to capitalize on this trend.
- **Digital-First.** Forty-five percent of banked consumers—of all generations—have changed how they interact with their financial institutions due to COVID-19. With this acceleration to digital payments, offering enhanced digital bill-pay solutions can help you serve the needs and interests of your customers.

\$8

billion

The size of the U.S. voice payments market by 2024.²

76%

of consumers who have paid bills late find real-time payments extremely or very likely to help.¹

¹ Aite Group, “U.S. Consumer Payment Experience: A Blueprint for Creating Positive Behaviors”
² Business Insider Intelligence, Retail Dive

Five Steps to Leverage Digital Bill Payment Trends

- 1 **Market your digital bill-pay solution to your customers.** Remind your customers of the convenience, security, transparency, and control that aligns with bank-centric bill payment. On average, financial institutions that participated in an ongoing marketing program saw a six percent increase in the number of people making electronic bill payments.
- 2 **Educate customers about the financial wellness aspects of bank-centric bill payment.** With nearly half (46 percent) of consumers paying a bill late, there’s the opportunity to emphasize the “set-it-and-forget-it” features of recurring or scheduled payments via bank bill pay as a way to avoid financial missteps.
- 3 **Encourage consumer customers to opt into e-bills from their providers, and urge business clients to accept and promote electronic bill payments.** Today, more consumers prefer digital billing statements (44 percent) than paper billing statements (28 percent). As the trend toward digital continues, you can help your customers make the transition by encouraging them to leverage all the features of your bill-payment solution.
- 4 **Talk to your service providers about emerging and new bill-payment features.** Investigate the new features your providers offer, how you can add them to your product portfolio, and how to market them to your customers. For example, use of voice-activated bill payment continues to climb, with 13 percent reporting use in 2020. How can you incorporate that growing area of opportunity into your offerings?
- 5 **Ensure your bank optimizes bill-pay revenue opportunities with top-of-wallet strategies.** Encourage your customers to select your debit and credit cards as the default payment method for bills paid directly with billers and for bills paid with digital wallets.

Incorporating Bank-Centric Bill Payment into Your Digital Strategy

Bank-centric digital bill payment offers significant opportunities for community banks as part of a broader digital payment strategy. Consider taking advantage of ICBA Bancard’s Digital Payments Strategy Tool, which helps you to determine how you can evolve your overall strategy to meet the evolving needs of current and future customers. Visit [ICBA Bancard](#) to get started and download the companion [Digital Payments Strategy Guide](#)SM for more details.

