

Payments Executive Brief:

Digital Payments Strategy: A Necessity for Your Community Bank

Digital payments continue to grow in popularity as an easy-to-use way for both businesses and consumers to make payments. Not only does volume and usage continue to grow, but so too do the products and platforms through which businesses and consumers make their digital payments.

Today's businesses and consumers can make digital payments through online and mobile banking applications, digital wallets, digital apps like Zelle or Venmo, and more.

Given the ubiquity of digital channels such as online and mobile, increasingly your customers are managing their finances and making payments from these channels. As a result of this demand, there are a multitude of new entrants providing differing digital payments services, some directly to your customers. In order to successfully compete, community banks should establish their own digital payments strategy to meet customer needs and remain central to the payments relationship.

The Significance of Digital Payments and a Digital Payments Strategy

As of 2019, market penetration of digital payments is at 82.1 percent¹, and use of digital payments is strong among all consumer segments.² As such, many of your customers are already using digital payments, often through a third party, leaving your institution with the risk of the customer storing their financial information with a third party. Offering digital payments directly to your customers allows your customers to make digital payments from the institution they already trust for their banking and payment needs.

At the same time, financial institutions recognize the importance of digital payments, with 90 percent agreeing that digital will fundamentally change the economics and competitive landscape of banking.³ They also agree that fintechs, big tech (such as Amazon, Facebook, Apple, and Google), and outside players will become serious competitors in the battle for market share around digital commerce. Despite these acknowledgements, only 19 percent agree that they have in place a clear digital strategy and a well-defined roadmap for digitization.⁴

What are Digital Payments?

“Digital payments” is an umbrella term to describe payments that are made using electronic instruments, such as mobile devices or laptops. Put simply, digital payments are transactions that are initiated without the use of a physical card or paper currency.

What is a Digital Payments Strategy?

A digital payments strategy is a comprehensive, holistic plan outlining goals and major initiatives for an organization as it relates to digital payments. It aligns with and complements an organization's overall payments strategy and strategic plan, and it is used to inform related investments, set priorities, and define policies across the organization.

Why Do Community Banks Need a Digital Payments Strategy?

While community banks may be able to implement components of digital payments in their institutions without a digital payments strategy, a well-developed and executed digital payments strategy will deliver key benefits and lead to long-term success. By having a digital payments strategy, community banks can:



Enable a better customer experience – With a digital payments strategy, community banks can deliver an improved customer experience, while meeting their customers' digital payments needs.



Enhance reputation and retain/grow customer base – A digital payments strategy enables community banks to transition from a “wait-and-see” approach to a “market leader” or “early adopter” mentality. It helps community banks deliver the innovative services and solutions that customers want, reducing the risk of losing or not being able to attract digital-savvy customers.



Increase revenue and profitability – With a digital payments strategy, community banks can increase revenue and profits. According to the MIT Center for Digital Business, companies that have embraced digital transformation are 26 percent more profitable than their average industry competitors.⁵ With a strategy, community banks create new value-added innovations and services, and they free up time for staff to perform more valuable services, like relationship-building, which leads to increased sales.

Meeting Customer Needs with a Digital Payments Strategy — Get Started Today

Digital payments are becoming the new norm for community bank customers. Ensuring your customers have access to digital payments through your bank is key to ensuring your continued success.

But it all must start with a digital payments strategy. Once that is in place, your bank can be the go-to enterprise for meeting the needs of your customers, enhancing your relationship with them, building loyalty and profitability, and adding to your community bank's value proposition and overall position as a market leader.



Get started with your digital payments strategy today by using [the ICBA Bancard Digital Payments Strategy GuideSM](#). The guide provides banks with a step-by-step approach to develop or evolve their digital payments strategy. Visit strategy.icbabancard.com to get started and download the companion payment strategy white paper for more details.

¹ <https://www.statista.com/outlook/296/109/digital-payments/united-states#market-users>

² Digital Payments Strategy for the Community Bank

³ Boston Consulting Group, March 2018

⁴ Boston Consulting Group, March 2018

⁵ The Digital Advantage: How digital leaders outperform their peers in every industry, MIT Center for Digital Business and Capgemini Consulting, 2011