

## First Data Market Insight

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# Improving Bill Pay: A Win-Win for Financial Institutions and Consumers

Without a doubt, consumers are increasingly adopting a digital lifestyle. Driven largely by the proliferation of smartphones and tablets, the growth of online activities like shopping and social networking continues unabated. In spite of this dramatic growth, however, the adoption of financial institution bill payment services appears to be leveling off. According to Javelin Research, the use of FI bill pay has plateaued, and users are predicted to increase only modestly during the next five years.<sup>1</sup> However, Javelin believes that institutions can reverse this trend by providing greater functionality that will streamline and simplify the bill-pay process, laying the groundwork for the digital financial lifestyle of the future.<sup>2</sup> As a consequence, financial institutions seeking to increase their base of bill pay users should target the 22 million Americans who are “only one step away from converting to FI bill pay”: online consumers who already pay bills online, but through biller direct websites rather than through their financial institutions.<sup>3</sup>

This segment of consumers has already shown a preference for paying bills online, so FIs need not convince them of the benefits of online bill pay. They must only persuade them of the advantages of using FI bill pay instead of various biller websites. To do this, institutions can immediately begin targeting this audience with promotional tactics, but they must supplement this with a longer term strategic investment in enhanced bill pay services.

### Convert New Users through Better Communication

The simplest way for financial institutions to increase usage of their bill pay services is to persuade their most tech-savvy customers—those who already pay bills and bank online—to use their services. FI bill pay has many inherent advantages over biller direct sites, but banks and credit unions must do a better job of communicating these benefits to encourage customers to make the switch. These advantages include:

- **Time and cost savings.** Customers save time by visiting one site to pay multiple bills instead of visiting individual biller websites to make payments.
- **Consolidated recordkeeping.** Having access to their bills and payments in one online location makes it easier to access payment records, review historical charges, etc.
- **Reduced fraud.** Visiting a single site to view bills and make payments reduces the likelihood of a consumer’s payment information being stolen or otherwise compromised. Furthermore, it provides a secure avenue, as online banking products support multi-factor authentication.
- **Better control.** FI bill pay provides greater control over the timing of payments, and allows for easier management of payment sequencing and holistic scheduling to align with deposits and expenditures.
- **Additional convenience.** FI bill pay supports additional convenient features like e-bills (electronic delivery of a bill for review and remittance), same-day and expedited payment services, P2P payments, ability to schedule a pending recurring payment as far as one year out, and more.

In order to communicate the ways in which FI bill pay outperforms biller direct, and to improve the chances of converting biller direct users and other customers to their own bill pay services, institutions must make a concerted effort to ensure their customers or members are aware that they can pay their bills through their financial institution. This can be done through the following tactics:

- **Make bill pay part of the new account procedure.** By including bill pay promotion as part of customer onboarding, institutions can immediately engage with new customers on this topic—explaining the benefits, providing training, and positioning the service as an important value-added feature of the account.

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- **Use online banking as a promotional channel.** Since most biller direct users are also online bankers, savvy institutions should use this channel to promote their own bill pay services. This can include targeted notification messages and banner ads displayed within the online banking application, as well as implementation of subtle navigational changes to make bill pay services a more prominent, integrated part of the online banking experience. Customers should be made to feel that bill pay is a natural and logical extension of online banking.
- **Conduct targeted marketing of bill pay services to customers.** Financial institutions should use statement inserts, ATM messages, in-branch and website promotions, email communications and SMS messages to communicate the ease of paying bills through their bill pay system. In particular, they should focus efforts on customer segments with the highest likelihood of adoption, including younger customers and current online banking and personal financial management (PFM) users.
- **Offer mass enrollment trial programs.** Financial institutions can offer a 30-day trial for all online banking customers to increase penetration and adoption. Coordinate the marketing program with employee contests to ensure the staff also uses the product during the trial.
- Providing a more intuitive and comprehensive interface that enables customers and members to view their bills and statements in as much detail as possible.
- Offering enhanced mobile capabilities so that customers can easily view and pay bills using smartphones and tablets.
- Integrating bill payment with PFM programs so that customers and members can get a complete picture of their financial situation and more easily manage their finances.
- Offering more payment options through various device channels, including multiple funding methods, person-to-person (P2P) and account-to-account (A2A) transfers.
- Implementing e-mail, text and in-account alerts to notify users when a bill is coming due, when payments have been made, when payments have been missed, and other helpful reminders and notifications.
- Offering advanced options, including auto-pay of an e-bill and faster payment options like same-day or overnight delivery for any payee.

### Make Improvements to Bill Pay Service

Adopting tactics like better training, improved navigation and targeted bill pay promotion can result in some short term adoption gains—but in order to achieve sustained usage growth by successfully retaining and attracting bill pay users, institutions must take steps to enhance the service itself. Specifically, they must take action to address current deficiencies in their bill pay offerings. One common complaint about FI bill pay services is a flawed bill-viewing capability, combined with a lack of access to billing details. Another shortcoming mentioned by consumers is the absence of useful payment reminders. Finally, FI bill pay often lacks the variety of payment options found on biller direct sites, including the ability to pay by credit card or allow for multiple funding accounts for a bill pay account.

Fortunately, there are steps financial institutions can take to boost long term usage rates by making customer-driven improvements, including:

### Conclusion

Consumers are always looking for ways to save time and simplify the drudgery of paying bills. Financial institutions can offer them just that by implementing or enhancing a bill payment system. With a robust and flexible bill payment offering in place, institutions will enjoy greater success getting current online banking customers and members excited about the service. In general, consumers prefer to rely on their financial institutions for the majority of their transactions; they are likely to find the time savings and simplification of consolidating their bill payments with their other online banking activities a welcome relief.

By providing a more user-friendly service that is in tune with how consumers pay their bills, institutions can gain a competitive edge. The investment in an enhanced bill payment service will result in increased acquisitions, deeper loyalty and additional product sales—with customers and members viewing the institution as an ally in their financial health. Ultimately, this will lead them to rely more on the institution's services to help them handle everything from the routine chore of paying bills to significant transactions like purchasing a home or car and saving for retirement.

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<sup>1</sup> Javelin Strategy and Research. First Data-sponsored webinar, "Online Banking Insights 2012: Maximizing Your Investment." September 18, 2012.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.