

Digitizing Bill Pay: Connecting and Collecting

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Prepared for:



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EXECUTIVE SUMMARY

Although the world, by and large, has hit pause due to the COVID-19 pandemic, the bills continue to roll in for U.S. consumers, whether employed or not. Millions of people are faced with difficult decisions regarding which bills to pay and which to put off temporarily. The anxiety around finances is at an all-time high, and many organizations still lack the technology and tools that make paying bills easier. *Digitizing Bill Pay: Connecting and Collecting*, commissioned by BlytzPay and produced by Aite Group, examines the state of the U.S. bill pay market, the consumer demand for leading-edge bill pay capabilities, and the new technologies that are establishing the framework for organizations to create new payment experiences for their customers and improve both their front- and back-office functions.

Key takeaways from the study include the following:

- U.S. consumers pay a lot of bills: approximately 15 billion bills in 2019, shelling out roughly US\$4 trillion. Electronic payment methods are on the rise, with most bills being paid using ACH or card-based payment methods.
- U.S. consumers are increasingly demanding more accessibility, choice, and control over the services they consume. Digital has become the go-to transaction channel, and consumers expect a personalized bill pay experience that offers a choice in payment methods.
- Even though U.S. consumers have more power and options in the market today than ever before, many are worried about their finances. Sixty-four percent of U.S. consumers experience anxiety thinking about their outstanding bills, and 57% display a level of worry about whether they will be able to pay their bills. Approximately half of U.S. consumers pay their bills late, and four in 10 U.S. consumers contact a biller while they are paying their bills.
- Despite all the technological advancements available for bill pay today, most banks and billers still have a lot of work to do in enhancing the overall user experience. Even though nearly half of U.S. consumers pay their bills after the due date, 52% have never received a reminder that their bills are due, and 61% of consumers have not set up automated recurring payments to pay their bills.
- Nine in 10 U.S. consumers who pay their bills on time and nine in 10 U.S. consumers who sometimes pay their bills late report that card bill payments and pay by text are moderately to extremely helpful in paying their bills on time.
- U.S. consumers show a strong preference for digital communications tools, with eight in 10 likely to use a secure portal to manage their account prior to contacting the organization and eight in 10 consumers who pay their bills more than 30 days after the due date likely to use a virtual collections tool to manage a past-due or delinquent account.

INTRODUCTION

Today, many organizations are reassessing their bill payment capabilities as consumerization in payments evolves. Consumerization is driven by factors such as shifting customer expectations and emerging technologies. What was once a relatively simple transaction, usually involving handing over cash or writing a check, has evolved into a wide range of transactions involving many different payment methods and channels. As transactions have developed, so have consumers, who have reprioritized how and when they pay their bills, often based on cash flow and convenience. Consumer power is growing, and switching service providers is becoming easier than ever in most industries. As a result, organizations are seeking to improve the bill payment experience and place more control and flexibility into their customers' hands while providing tools to shape positive payment behaviors and streamline operational processes.

This white paper examines the state of the U.S. bill pay market, the consumer demand for leading-edge bill pay capabilities, and the new technologies that are establishing the framework for organizations to create new payment experiences for their customers and improve both their front- and back-office functions. For many years, evolution in bill pay meant adding new channel support, particularly in the mobile space, and expanding the range of payment methods accepted. While these changes have been important, traditional methods such as ACH still dominate the bill pay space, and improving the customer experience now requires more than just tinkering with front-end services. It requires a full evolution of the U.S. bill pay paradigm.

METHODOLOGY

BlytzPay commissioned Aite Group to develop a white paper based on Aite Group's existing body of research related to U.S. consumer bill pay capabilities and preferences. As a result, the findings in this white paper are a culmination of the following research studies:

- **U.S. Bill Payment Market Sizing study:** In Q3 2016, Aite Group surveyed an online panel of 2,429 U.S. consumers who were involved in paying most or all the bills in their households. The analysis included the volume of bills paid by these households:
 - 31,238 bill types/285,382 bills paid by 2,429 respondents in 2016
 - 6,748 bill types paid by 1,107 respondents in 2013
 - 52,319 bill types/595,493 bills paid by 4,696 respondents in 2010

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. Population data from the United States Census Bureau was used to calculate projections for the total U.S. bill payment market.

- **U.S. Bill Payment Transformation study:** Aite Group conducted interviews with payment executives from 12 leading organizations, including banks, utilities and

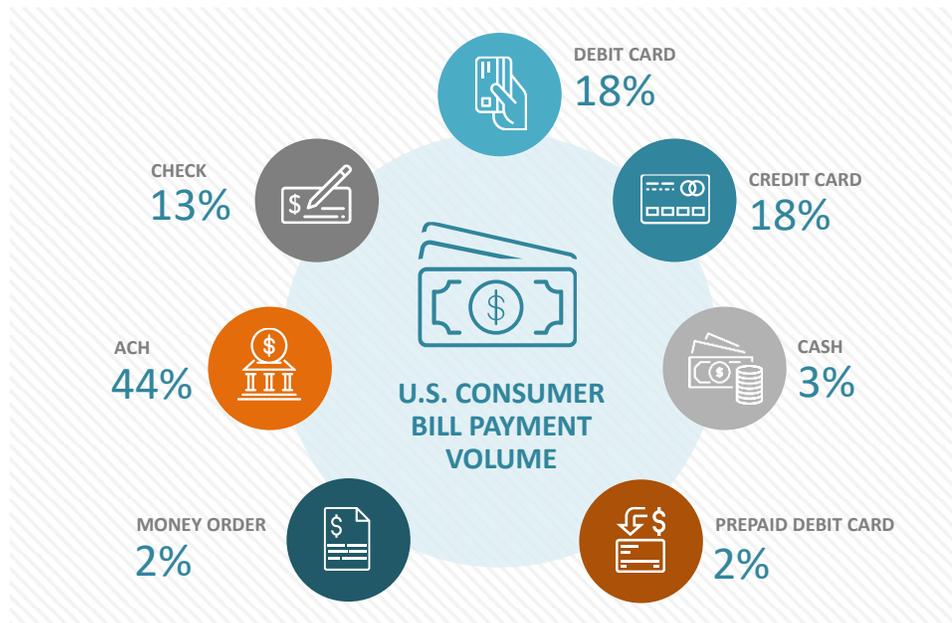
telecommunication companies, insurance firms, and healthcare and education service providers from February 2018 to March 2018. The companies included in the study issue and receive a substantial number of bill payments on a monthly basis. Given the size and structure of the research sample, the results of the qualitative interviews provide a directional indication of the conditions in the market.

- **U.S. Consumer Bill Payment Behaviors study:** In Q3 2018 Aite Group surveyed an online panel of 2,425 U.S. consumers. Participants in the research indicated that they paid at least one of the following bills in the last 12 months: mortgage payments, car/vehicle loan or lease payments, university/college/trade school tuition or fees, health insurance premiums (paid specifically to the health insurance company, not through an employer), or medical services payments (not including copays, but payments to meet deductibles or pay for doctors' bills, lab or hospital fees, or dentists' bills). The data in this report have a margin of error of 2 points at the 95% level of confidence.

THE BACKDROP

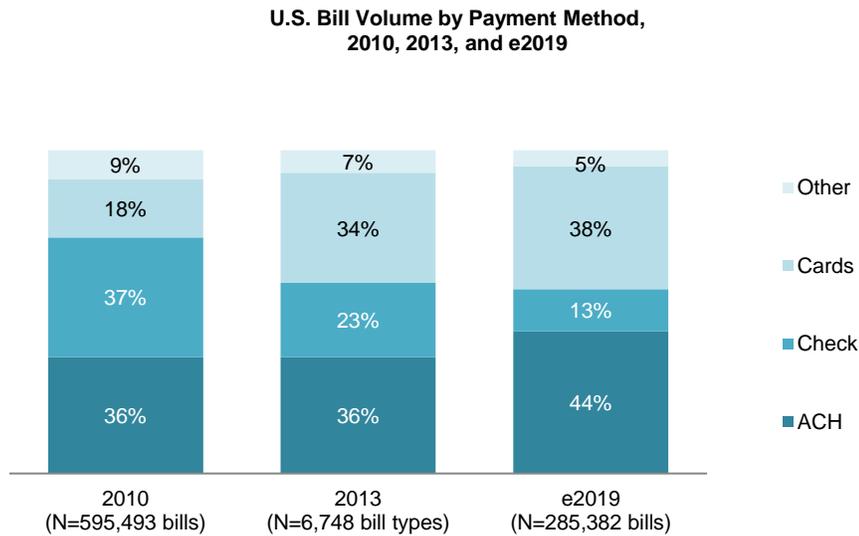
U.S. consumers pay a lot of bills: approximately 15 billion bills in 2019, shelling out roughly US\$4 trillion. ACH transactions dominate the bill pay space, accounting for 44% of bill payments. Card payment methods account for 38% of bill payments, and checks, which are on the decline, account for just 13% of bill payments (Figure 1).

Figure 1: e2019 Bill Payment Volume by Bill Payment Method



Source: Aite Group survey of 2,425 U.S. consumers, Q3 2018

U.S. consumers' preferences for bill pay payment methods have significantly shifted to electronic payment methods since 2010. The percentage of bills paid by check went from 37% in 2010 to an estimated 13% in 2019, while the number of bills paid via ACH went from 36% to an estimated 44%. Card-based payment methods have seen the most significant growth, with the number of bills paid by cards going from 18% to an estimated 38% between 2010 and 2019 (Figure 2). Card-based payment methods have been on the rise for some time due to their convenience and rewards program incentives as well as an increasing number of billers electing to accept card payments. Consumers continue to have many choices when it comes to paying bills, and as digital payment methods such as real-time payments, digital wallets, and cryptocurrency continue to proliferate in the market, organizations will be hard-pressed to keep evolving their payment strategies to meet consumer demand.

Figure 2: Percentage of Bill Volume by Payment Method

Source: Aite Group survey of 2,429 U.S. consumers, Q3 2016

As is now being felt across all consumer-facing industry verticals, consumers are increasingly demanding more accessibility, choice, and control over the services they consume. The explosion of digital channels and services in recent years as well as positive experiences in some areas, such as cloud-driven media, ridesharing, and food delivery, shift overall customer service expectations across seemingly unrelated sectors. Perhaps most importantly, this new universe of app-driven services has, in many instances, transformed the payment experience, providing simplification if not outright automation.

Organizations are finding that it is increasingly difficult to dictate to consumers what payment methods they will accept, as consumers demand a growing variety of convenient options that work on their terms. Although undoubtedly a major driver of digital transformation and investment activity for most organizations, this increasingly customer- and mobile-centric approach also provides the potential to significantly reduce overhead costs, particularly for customer-support staff both on-site and in call centers.

As highlighted in Figure 3, the variety of factors affecting consumer expectations continues to evolve, and these factors will keep changing in the near term. Organizations need to focus on an adaptive technology strategy in bill pay that meets these needs head-on and that reacts to future shifts.

Figure 3: Profile of a U.S. Consumer Who Is Paying Bills

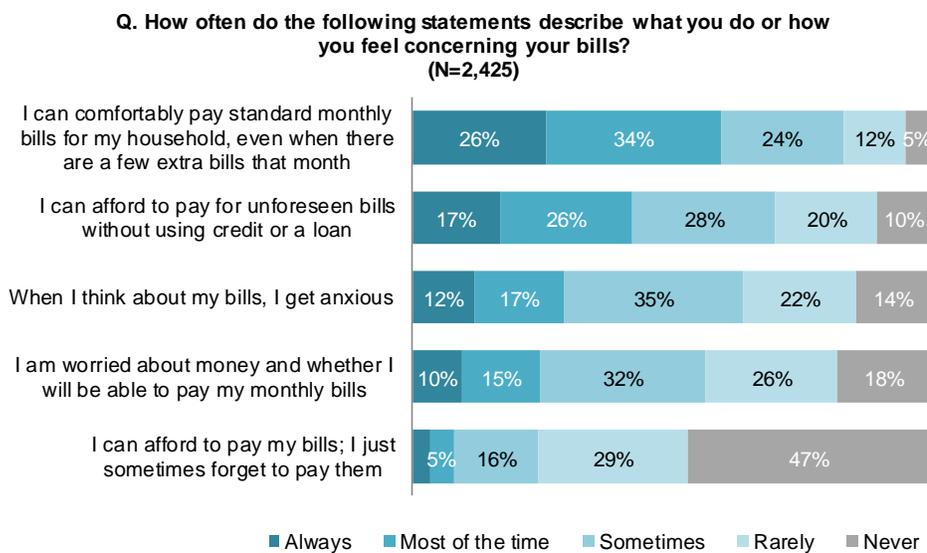
- Hyper-connected consumer
- Digital as the go-to transactional channel
- Personalized experience expected
- Increased demand for contextually relevant data with payment remittance
- Multiple payment options a requirement
- Immediacy of payments expected



Source: Aite Group

Even though U.S. consumers have more power than ever with the various merchants providing products and services today, many are still experiencing anxiety around their finances. Today, just 60% of U.S. consumers feel comfortable that they can pay their monthly bills, while many U.S. consumers are worried and anxious about the prospect of unforeseen bills and the ability to pay those bills without relying on a credit card or loan. Fifty-eight percent of consumers sometimes, rarely, or never pay an unforeseen bill without using a credit card or taking out a loan, 64% experience anxiety when thinking about their outstanding bills, and 57% display a level of worry about whether they will be able to pay their bills (Figure 4). Successful bill pay strategies must include the tools and a user experience that help ease the financial worry and anxiety faced by U.S. consumers today.

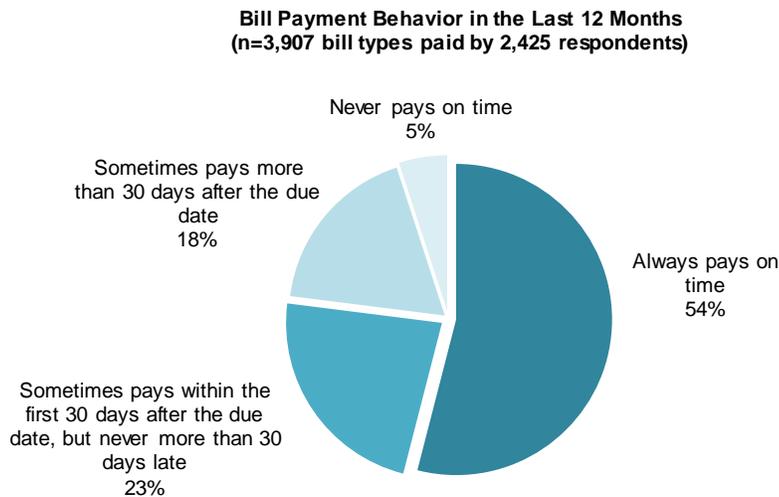
Figure 4: U.S. Consumers Are Worried About Paying Their Bills



Source: Aite Group survey of 2,425 U.S. consumers, Q3 2018

In addition to financial anxiety, paying bills on time is a struggle for many U.S. consumers even though late payments lead to increased fees, higher interest rates, and poor credit. On average, just 54% of U.S. consumers pay their bills on time, with nearly half of U.S. consumers paying bills after the due date (Figure 5). Late payments create a problem not only for the consumer but also for the biller in terms of decreased cash flow and increased overhead for collections. Organizations across every industry sector are looking for ways to improve business processes and leverage technology to create positive bill payment behaviors.

Figure 5: U.S. Consumers' On-Time Bill Payment Behaviors

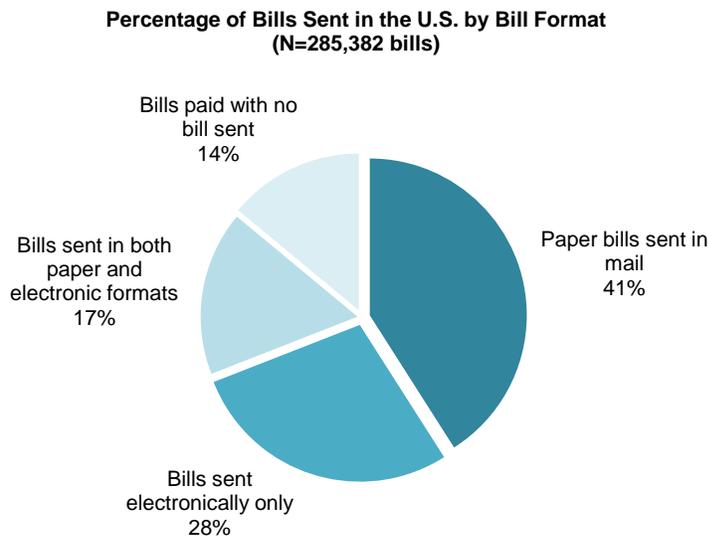


Source: Aite Group survey of 2,425 U.S. consumers, Q3 2018

TODAY'S BILL PAYMENT EXPERIENCE

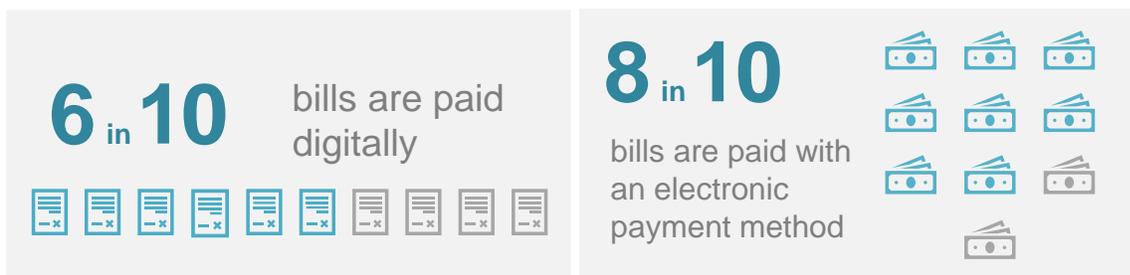
Consistent with the increasing U.S. consumer preference for digital experiences, the use of paper bills is on the decline, with just 41% of all bills sent only in paper format through the mail today. Forty-five percent of all bills are sent in e-bill format, and of those e-bills sent to U.S. consumers, six in 10 were sent without a paper bill (Figure 6). Additionally, six in 10 bills are paid digitally, using an online or mobile channel, and eight in 10 bills are paid using an electronic payment method, such as ACH or debit/credit cards (Figure 7). Organizations that provide a digital bill presentment experience are seeing increased adoption of digital payment methods, which provides a better customer experience and improves cash flow while reducing operational overhead.

Figure 6: How U.S. Consumers Receive Their Bills



Source: Aite Group survey of 2,429 U.S. consumers, Q3 2016

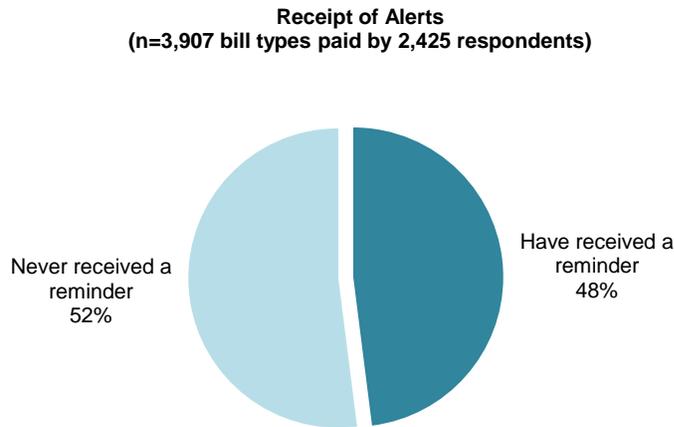
Figure 7: How U.S. Consumers Pay Their Bills



Source: Aite Group survey of 2,429 U.S. consumers, Q3 2016

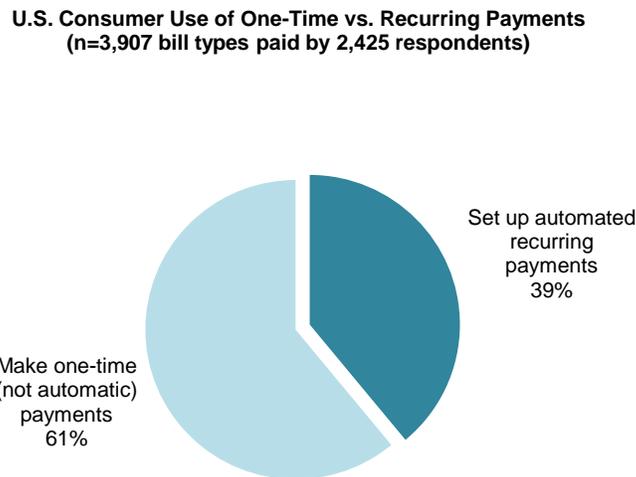
Despite all the technological advancements available for bill pay today, most organizations still have a lot of work to do in enhancing the overall user experience. Even though nearly half of U.S. consumers pay their bills after the due date, 52% have never received a reminder that their bills are due (Figure 8). And notwithstanding the problems created by late bill payments, 61% of consumers do not set up automated recurring payments to pay their bills (Figure 9).

Figure 8: Receipt of Bill Pay Reminders



Source: Aite Group survey of 2,425 U.S. consumers, Q3 2018

Figure 9: Use of Recurring Payments for Bill Pay

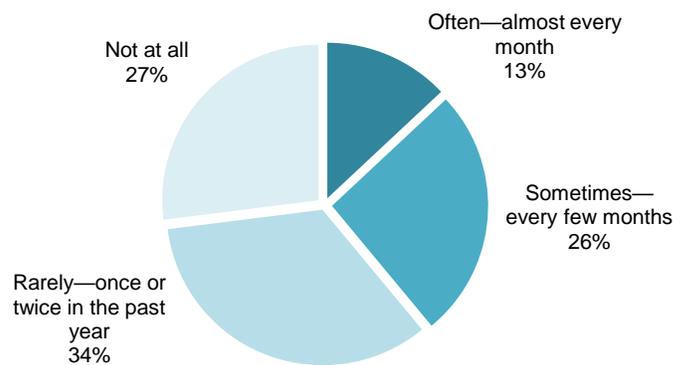


Source: Aite Group survey of 2,425 U.S. consumers, Q3 2018

U.S. consumers who contact billers and who fail to pay bills on time add cost to operational processes. Four in 10 U.S. consumers contact a biller while they are paying their bills. Of those who did contact a biller to ask a question about the service or the bill, make a payment, or arrange a payment, 13% called billers often, and 26% contacted billers every few months (Figure 10).

Figure 10: Frequency of Contacting Billers

Q. In the past 12 months, how often did you contact one of the companies or billers you do business with by phone, instant chat, email, etc., (to ask a question about the service or the bill itself, make a payment, arrange a payment plan, etc.)?
(N=2,425)



Source: Aite Group survey of 2,425 U.S. consumers, Q3 2018

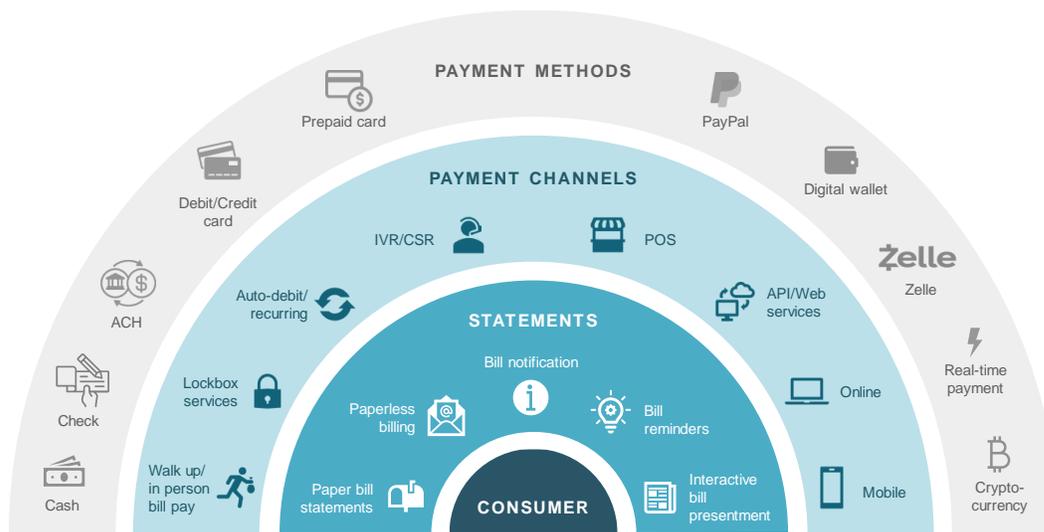
THE EVOLVING PARADIGM

The ways that consumers pay are changing and driving significant investment in bill pay capabilities. The shift in how consumers pay their bills, however, doesn't mean the shift in payment tools is a one-for-one replacement of traditional payment tools with new ones. Instead, organizations are juggling growing levels of payments diversification and supporting a broad variety of tools, channels, and data streams. Today, organizations are actively seeking new ways to modernize their payment capabilities to better meet shifting consumer expectations.

This increasingly complex payments landscape presents both opportunities and challenges. Payment tools that are older and more established tend to suffer from slow processing times, high costs, and poor customer experiences. In contrast to this, newer payment tools, such as digital channels, can solve many of these challenges. But organizations are then faced with a need for consumer education and the integration of these platforms to back-end services.

As new payment tools continue to evolve and gain traction, they will undoubtedly gain market share over older formats. Despite this shift, no payment tool is likely to fade completely in the near term, and organizations will need to contend with a fragmented payments landscape in order to meet customers where they're at (Figure 11).

Figure 11: Meeting Customers Where They're At



Source: Aite Group

PAYMENT TOOLS FOR CREATING POSITIVE PAYMENT BEHAVIORS

Today's fragmented payments landscape also lends itself to consumer payment strategies that are achieving mixed results. While most consumers have a plan when it comes to paying their monthly bills, these plans do not consistently materialize as on-time payments. There are numerous bill payment tools available today that help reduce friction in the bill payments

process, reduce costs, and decrease both contact center traffic and consumer frustration. Building better customer experiences means delivering services that fit into the consumer's daily life. Table A summarizes four tools that not only create positive consumer bill payment behaviors but are also core to providing a positive customer bill payment experience.

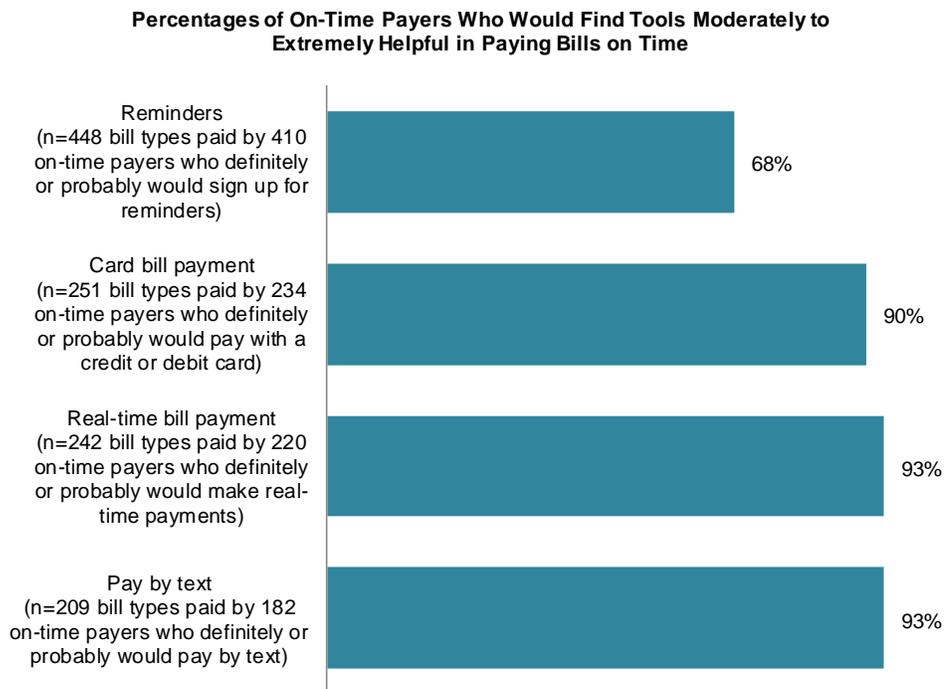
Table A: Tools for Encouraging On-Time Payments

Tool	Description
Reminders	Reminders are payment-due notifications sent to customers via mail, email, text message, or phone call. These notifications include the outstanding bill amount and due date, and most provide a link or instructions for paying the bill. Many organizations view reminders as an important touch point with their consumers. Unlike marketing messages, bill pay reminders are the result of specific opted-in actions taken by the consumer and help organizations build trust and provide convenience in what can be perceived as an otherwise unpleasant experience.
Card bill payment	Card bill payments are payments to a biller from an individual's debit or credit card and applied to a specific account. The payment can be initiated by the payer or scheduled in advance for recurring payments. Consumers who have not used card payments in the past are likely to do so if offered the opportunity. In recent years, card payments have become increasingly critical payment tools, yet many organizations interviewed by Aite Group report that the cost of card acceptance and interchange rates remain a major challenge for their businesses, requiring them to weigh the benefit of on-time payments against the operational cost of this payment mechanism.
Real-time bill payment	Real-time bill payments are irrevocable payments from an individual's payment account that settle to the biller's account immediately (typically within seconds) upon the payment being initiated. Real-time bill payments are a tool for consumers to manage their money more successfully, and the ability to pay a bill at the last minute can help consumers avoid late fees and the punitive rate hikes that may follow a late payment. Aite Group's research shows that while consumers conceptually like the idea of real-time payments, they are not familiar with real-time payment mechanisms. This presents an opportunity for banks and billers to provide education on real-time payment mechanisms and how they can aid consumers in paying bills on time.
Pay by text	Pay by text is a service provided by billers that allows consumers to opt in to receive SMS messages (texts) containing balance, due date, and bill payment instructions. Pay by text can help create a sense of urgency that reinforces the importance of timely payments. Pay by text can also replace stand-alone chat solutions employed by the biller's customer service channel and can provide a new marketing channel. Consumers are growing more accustomed to communicating with businesses via text, and the ubiquity of mobile devices combined with the extensive use of SMS messaging makes pay by text a natural way to accept payments from consumers quickly and conveniently.

Source: Aite Group

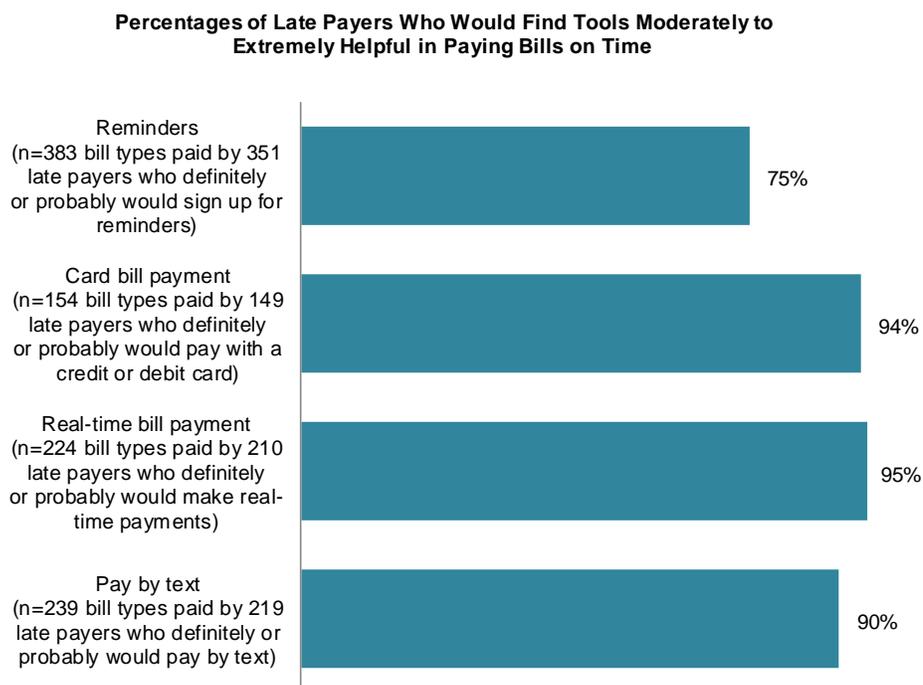
Aite Group asked U.S. consumers who pay their bills on time and are likely to use reminders, card bill payments, real-time bill payments, or pay by text how helpful each tool would be in helping to pay bills on time. Ninety-three percent of U.S. consumers report that real-time bill payments and pay by text would be moderately to extremely helpful in paying their bills on time, 90% report that card bill payments would be moderately to extremely helpful in paying their bills on time, and 68% report that reminders would be moderately to extremely helpful in paying their bills on time (Figure 12).

Figure 12: On-Time Payers Who Would Find Bill Payment Tools Helpful in Paying on Time



Source: Aite Group survey of 2,425 U.S. consumers, Q3 2018

Aite Group also asked U.S. consumers who sometimes pay their bills late and are likely to use reminders, card bill payments, real-time bill payments, or pay by text how helpful each tool would be in helping to pay bills on time. Ninety-five percent of U.S. consumers report that real-time bill payments would be moderately to extremely helpful in paying their bills on time, 94% report that card bill payments would be moderately to extremely helpful in paying their bills on time, 90% report that pay by text would be moderately to extremely helpful in paying their bills on time, and 75% report that reminders would be moderately to extremely helpful in paying their bills on time (Figure 13).

Figure 13: Late Payers Who Would Find Bill Payment Tools Helpful in Paying on Time

Source: Aite Group survey of 2,425 U.S. consumers, Q3 2018

OPPORTUNITIES IN BILL PAY CREATED BY THE COVID-19 PANDEMIC

According to financial advisor and best-selling author Suze Orman, 60% of people in the U.S. have US\$400 or less accessible to meet routine financial obligations, whether times are good or bad.¹ It goes without saying that many of the 39 million (and counting) U.S. workers laid off in 2020 due to the COVID-19 pandemic are facing, at worst, financial destitution or, at best, challenges with paying monthly bills for items such as housing, utilities, automobiles, and insurance. To ease financial stress, state governments have issued a series of moratoriums on evictions and taken other actions that are driving increased traffic to biller contact centers as well as adding stress to collections activities. Now more than ever, organizations are coming face to face with the pros and cons of their existing communications infrastructure. If nothing else, the COVID-19 pandemic is presenting an opportunity to modernize the communications infrastructure as well as to promote positive bill pay behaviors with customers.

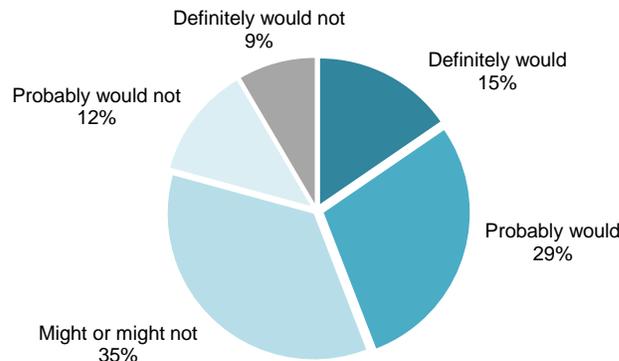
As U.S. consumers have had positive experiences with online and mobile communications across a variety of use cases, demand has increased for self-service tools when dealing with any

1. Antonia Blyth, "Coping With COVID-19 Crisis: Suze Orman Explains How to Rescue Your Finances, Keep Your Health Insurance and Manage Debt With Zero Income," Deadline, April 2, 2020, accessed May 5, 2020, <https://deadline.com/2020/04/suze-orman-financial-advice-coronavirus-crisis-credit-cards-mortgage-payments-1202898412/>.

organization. Just 21% of U.S. consumers report they would not be likely to use their biller’s secure website with account information before contacting the organization directly (Figure 14). Just 27% of U.S. consumers who pay their bills within 30 days after the due date would not be likely to use the biller’s website to manage a past-due or delinquent account, and 16% of U.S. consumers who pay their bills more than 30 days late would not be likely to use the biller’s website/virtual collection tool to manage a past-due or delinquent account (Figure 15). The ability to provide online communications tools for account management will become table stakes for all billers during and after the COVID-19 pandemic.

Figure 14: Likelihood to Use an Online Customer Communication Tool

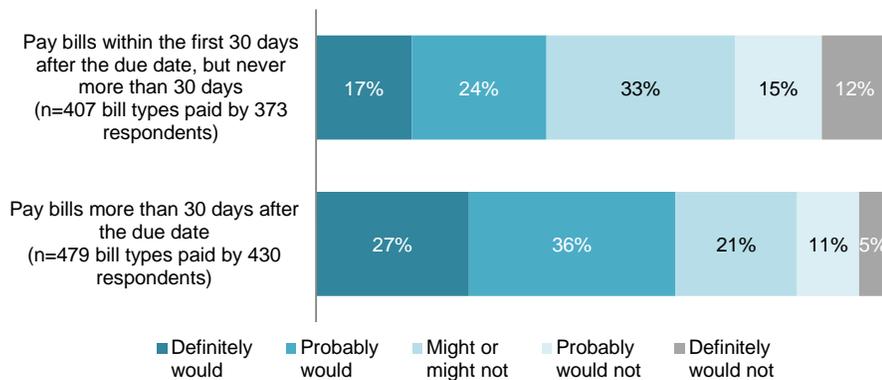
Q. If your biller had a secure website with your account information, how likely would you be to use it before contacting the organization directly? (For four of the bill types; n=675 bill types paid by 609 respondents who have not used a secure website from the biller)



Source: Aite Group survey of 2,425 U.S. consumers, Q3 2018

Figure 15: Likelihood of Using a Virtual Collections Tool

Q. If offered by the biller, how likely would you be to use a website to manage a past-due or delinquent account? (Among respondents who have not used a website to manage a past-due or delinquent account; for four of the bill types)



Source: Aite Group survey of 2,425 U.S. consumers, Q3 2018

CONCLUSION

While organizations may not be able to transform the consumer payment experience overnight, incremental steps can be taken: improving the payment experience, providing consumers with the ability to tailor their payment experience, and catering to individual preferences with new tools. Based on our understanding of the U.S. bill payment market, Aite Group concludes the following:

- **Consumer behaviors are shifting.** By and large, modern consumers—consumers who, because of technology, have a whole new set of expectations—are likely to use new tools and richer capabilities that will not only improve their payment experience but also result in better payment behaviors.
- **Remove friction and barriers from bill payment processes.** Organizations must be focused on improving the overall payment experience. Benefitting from a better payment experience, U.S. consumers are far more likely to use new tools, ultimately resulting in higher consumer satisfaction and diminished frustrations.
- **Organizations can no longer afford to cling to antiquated bill payment processes and technologies.** Organizations need to have a long-term view and develop a payment strategy that offers consumers choice in not only how they receive their statements but also in the payment channels and payment methods used for paying bills.
- **Don't forget about the back office.** Tinkering with front-end technologies will help improve the experience and create efficiencies, but long-term development will necessitate an appraisal and modernization of back-office capabilities. In addition, as the bill pay space becomes more data-rich, flexible, and functional to its end users, it will further improve the customer experience and the bottom line.
- **The road to get there will not be easy or inexpensive, and organizations should explore partnerships.** Organizations need to think strategically as to how they want to play and compete; they should look to partner with payment providers to expand their product offerings, to develop and implement new payment experiences, and to manage the complexities of today's payment environment.

ABOUT AITE GROUP

Aite Group is a global research and advisory firm delivering comprehensive, actionable advice on business, technology, and regulatory issues and their impact on the financial services industry. With expertise in banking, payments, insurance, wealth management, and the capital markets, we guide financial institutions, technology providers, and consulting firms worldwide. We partner with our clients, revealing their blind spots and delivering insights to make their businesses smarter and stronger. Visit us on the [web](#) and connect with us on [Twitter](#) and [LinkedIn](#).

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