Searching For Online Bill Pay

by Steve Brown

Research by HubSpot finds 81% of shoppers will do online research before making big purchases. Interestingly, 44% of people reportedly go to Amazon to start looking around, while 34% will use a search engine like Google. No matter what you are looking for, it is clear the search engine remains a critical part of the overall process.

In banking, customers will often search around trying to figure out who has the best online bill pay options. That makes sense when you consider that online bill pay is one of the most popular features of online banking.

In fact, when the number of bills paid online at financial institutions and billers are considered in the aggregate, online bill pay accounts for 58% of consumer bills paid, according to a 2016 Fiserv report. That is an impressive percentage.

Meanwhile, Mercator research finds more than 67% of respondents would prefer to pay bills through online banking tools vs. a supplier's website. This is encouraging data and underscores the opportunity community banks have to transition those customers who aren't already using online bill pay.

Like direct deposit, online bill pay is a service banks offer to encourage customer loyalty. The initial set up for customers can be time-consuming, so most typically don't want to go through the hassle more than once. After all, to do so requires every loan payment, utility, phone and credit card bill to be switched over. Knowing this, it is important to work with any customers who have not or are not using your service.

Of course, customer engagement is the major reason to step up efforts to on-board customers. First, take a look at who is currently using online bill pay at your institution and who is not. From there, you can develop strategies to encourage adoption. Certainly, there will be some customers accustomed to paying by check who may not want to switch. Others may be more willing, after gaining a better understanding of the service. Notably, the Fiserv study found that a number of people aren't using certain digital services because they don't know about them or they don't know how to use them. Education and training is power for your bank.

One way to do so is by stepping up outreach efforts and even running information sessions on how to pay bills online. This can be especially productive when targeting customers who may be interested in the service, but who need a bit more encouragement to make the switch from their comfort zone.

Consider also that that a large portion of non-users may be making decisions to forgo online bill pay based on erroneous information. About 40% of people who don't use online bill pay have chosen not to, based on the mistaken belief that they would be locked into auto-payments. Banks have an opportunity to correct this misperception and thereby bring more customers into the online bill pay fold.

Given the growing demand for online bill pay, if you don't convince your customers to sign up, they will eventually do so with someone else. The list of competitors is long, so you have to move quickly and be thorough about it. After all, there are several large online bill pay companies such as Quicken Bill Pay, Paytrust and Xpress Bill Pay. In addition, tech giant Apple has now begun allowing some users to pay monthly bills through Apple Pay with its iPhone payment technology.

Even though it can be expensive to maintain a bill pay system, it is table stakes these days. It is also one more way to keep your customers coming back. Bankers are always searching for new customers, and leveraging your bill pay capabilities can help here too. The more ways you can bring in customers and lock them in, the better.

BANK NEWS

Banks Hit

The Financial Times reports bank stocks have tanked as hopes of a Trump tax cut fade, trading revenues decline and the yield curve flattens. Since hitting peak levels in early March, Goldman is down almost 17%, Wells is down 14% and Bank of America and JPMorgan are each down about 12%.

Valuation

Citigroup is trading at about 85% of book value, making it the lowest of the largest US banks.

Soft Hiring

A CNBC survey of small business owners finds only 27% say they plan to add full time staff in the coming year.

Cyber Reasons

Research by IBM on the reasons for cyber incidents finds 95% are due to human error.

Leverage Difference

FDIC data finds the average loan to deposit ratio (LTD) for banks with assets < $1B is about 74% vs. 86% for banks with assets $1B to $10B - about a 16% difference.

Not Me

A Ponemon study finds 66% of IT practitioners do not believe their company's brand is their responsibility, despite the potentially significant damage that can occur to a company's brand after a data breach.

Reputation Risk

Regulators indicate reputation risk entails having a responsible corporate culture and a sound risk culture. These are the foundation of an effective corporate and risk governance framework and help form a positive public perception of the bank.

Data Quality

An RMA survey of banks focused on data quality finds banks that keep enterprise level data quality metrics said the unit responsible for collecting and maintaining them was: risk management (32%), other or shared (26%) and the enterprise data quality group (21%).