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EXECUTIVE SUMMARY

The Speed of Money: Why It Matters for Financial Services Professionals

Your clients care about fast, easy access to their money.
If you don't provide it, someone else will.

For financial services organizations questioning whether or not the speed of money movement matters, one needs to look no further than what happens when it moves too slowly, according to consumer research conducted by Arizent Research/American Banker and sponsored by Alacriti. Consumers abandon transactions and shift their business away from a provider. And in some cases, may actually switch providers entirely to gain access to faster payments.

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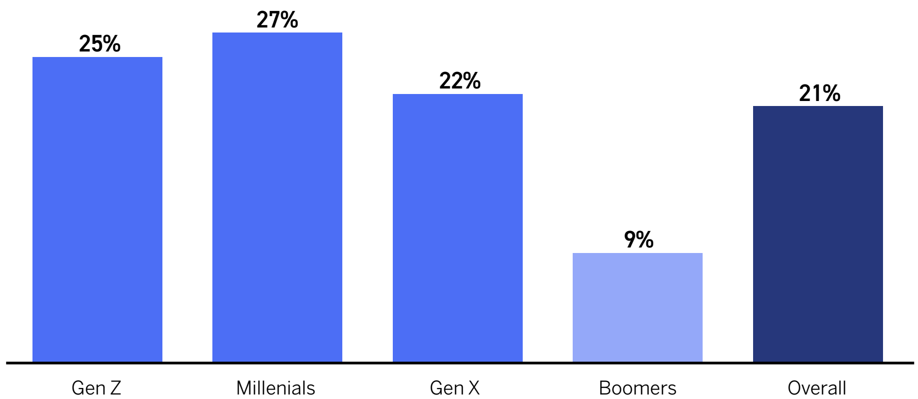
Abandoned transactions

When consumers are asked about the speed of money movement, fully 21% report that they have abandoned a financial transaction or account opening because it would take too long. For an institution seeking to add new accounts, this can be devastating to meeting growth objectives. For an institution trying to be at the heart of a consumer's financial life, this can be a major cause for alarm.

Another cause for alarm? Certain types of consumers, the ones that many organizations target, are more likely to abandon slow transactions than others. For example, employed consumers have a higher transaction abandonment rate, at 27%, than do retired (7%) and unemployed (14%) consumers. Similarly, high-income households earning more than $100,000 have a higher transaction and account opening abandonment rate at 31%, than do lower-income households. This may be because they have more financial provider options than do less wealthy customers.

For institutions looking to grow the size of their business by adding younger consumers to their portfolios, slow money movement can be a significant obstacle as younger generations are more likely to abandon a new product onboarding process, as well as a financial transaction if it takes too long. About one-quarter of Gen Z (25%) and Millennials (27%) abandoned a transaction due to slow speed compared to just one in 10 (9%) of Boomers (see Figure 1).

Figure 1: Consumer Transaction Abandonment Rates by Generation



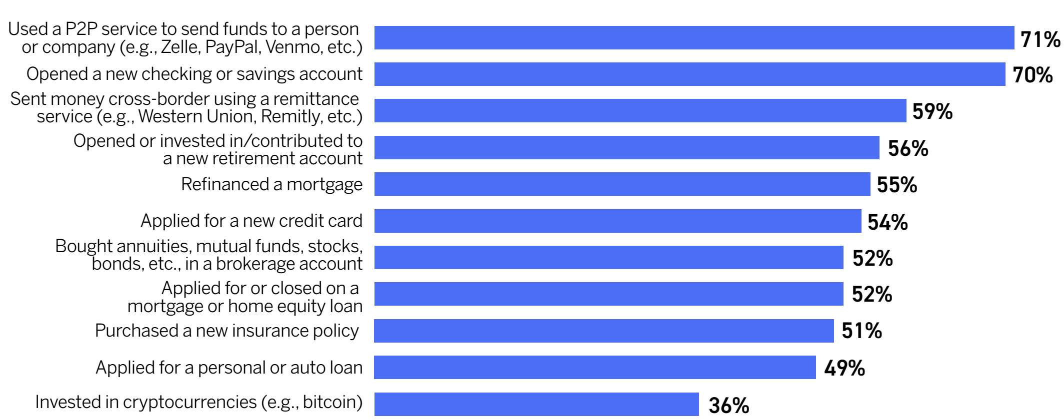
Source: Arizent Research/American Banker July 2021

In short, the more attractive a customer is, e.g., with a job, higher income, in a growing demographic, etc., the more likely it is that they will abandon a financial transaction if it's too time-consuming.

Satisfaction varies by transaction type

When it comes to speed and satisfaction, not all transactions are created equal. 70%+ of consumers report being "very satisfied" with the timing for using a P2P service to send funds or opening a new checking account (see Figure 2). Meanwhile, other transactions, such as applying for a personal or auto loan or buying cryptocurrencies don't break the 50% mark.

Figure 2: Consumer Satisfaction with Speed of Sending Money/Funding a New Account
(%) Very satisfied



Source: Arizent Research/American Banker July 2021

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In terms of the upside, about eight out of ten customers who had a positive experience related to the speed of money movement are likely to consider conducting repeat business with that particular financial institution.

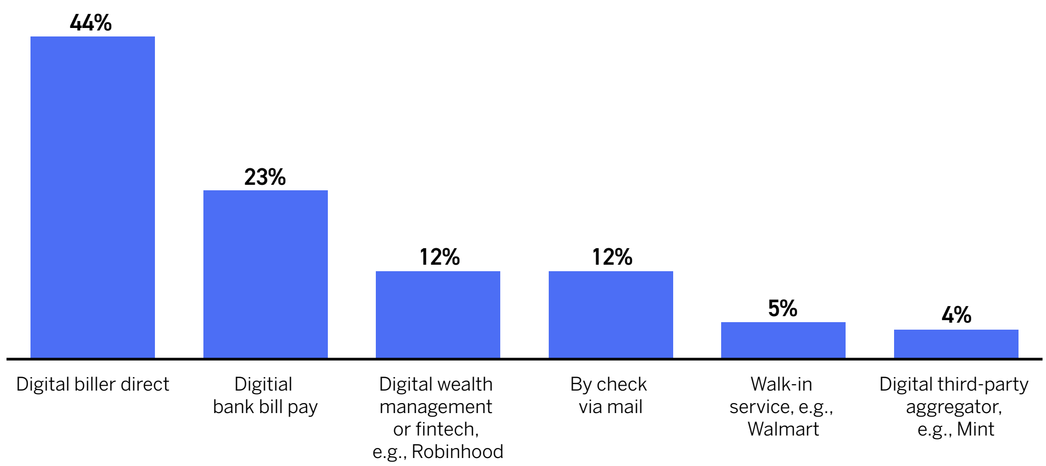
Financial institutions have an opportunity to streamline transactions to make them more efficient, not only increasing customer satisfaction but decreasing abandonment rates and driving repeat business. On the flip side, organizations that do solve the speed equation and are able to lure customers away with just a single money movement use case are a threat. Having a holistic, real-time money movement strategy that underpins all money movement products removes much of the risk while opening up the greatest potential ROI.

Bill pay: losses and opportunities

Another area where financial institutions may be losing ground in the speed game is with bill pay. When digital bill pay services became a mainstream online banking offering in the early 2000s, they quickly became a preferred consumer service, taking share from the then traditional bill payment method of checks by mail. This was due to the increase in speed and reliability. However, a lot has changed in the past two decades, including faster bill payment methods that offer greater surety of receipt, faster payment application to an account and even rewards offerings.

Today, only 23% of consumers pay their bills using bank bill pay, which isn't much more than the combined usage of checks by mail and walk-in bill pay services (17%) which were dominant forms of bill pay back in the 1950s (see Figure 3). In contrast, 44% of respondents pay their bill directly to their biller's website or mobile app.

Figure 3: Consumer Bill Pay Methods



Source: Arizent Research/American Banker July 2021

Five Considerations About Money Movement

1. Look at money movement holistically, not use-case specific
2. Note that real-time payments aren't just "faster ACH"; data rich messages of the ISO 20022 standard open up doors to new products
3. Keep in mind when it comes to operations that real time = 24x7x365
4. Set your journey, one step at a time; understand your customer base and look for the low-hanging fruit
5. Realize that scalability and "as-a-service" volumes volumes will grow as real-time payment channels continue to mature

EXECUTIVE SUMMARY

While bank bill pay still counts almost one-quarter of consumers as its users, it's highly concentrated among the oldest group–Boomers (31%). In comparison, about half as many Gen Z consumers (17%) and Millennials (19%) use bank bill pay. In many cases, these younger users are on wealth management platforms and fintech apps (e.g., Robinhood, Square, etc.), which have bill pay integrated in their offerings, giving these consumers a one-stop shop that isn't your standard financial institution.

If financial institutions want to be the bill pay tool of choice, they need to implement and/or utilize tools that make the process fast, easy and preferable to other bill pay formats. This is particularly critical with younger generations going for other bill pay options that they consider to be faster and more reliable. New payment rails, including TCH's RTP and Zelle, offer a new method of "bill payment" known as Request for Payment (RfP), which has the potential to shake up the bill payment landscape further and reshape bank bill payment as we know it. It combines messaging, bill information and the payment all in a single channel, removing much of the friction we see in the process today.

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Conclusion

In short, when it comes to accessing money, speed matters. When financial transactions take too long, consumers are prone to abandon them, particularly if they have faster options, with financial institutions facing transaction and possibly customer losses to those alternatives. However, when financial transactions go right and meet consumer expectations, repeat business is very likely. Financial institutions that heed the call for speed and adjust accordingly have a much better chance of keeping and gaining customers than their counterparts who continue business as usual.

Methodology

American Banker, an Arizent publication, conducted this survey to explore the impact of faster money movement on the future of financial services. The survey was conducted online in the U.S. with 941 adults, ages 18-74, during July 2021, and is reflective of the general population based on a number of demographic factors including race, gender, etc., as well as being representative of all U.S. geographic regions.

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About Alacriti

Alacriti is a leading financial technology company dedicated to helping financial institutions and businesses accelerate their digital payments transformation, all without requiring legacy system overhauls or replacement. Alacriti's Orbipay Unified Money Movement Services delivers solutions across the payments ecosystem. Whether it's real-time payments, digital disbursements, or bill pay, our cloud-based platform enables banks and credit unions to quickly and seamlessly deliver modern digital payments and consistent money movement experiences. To speak to an Alacriti payments expert, please call us at (908) 791-2916 or email info@alacriti.com.

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