

Repositioning Bill Pay at the Center of the Credit Union Digital Experience



The digital experience is crucial for credit unions to stay competitive and relevant in today's market. While consumers are doing more of their bill payments online, credit union websites and mobile apps are falling behind biller sites in facilitating these payments. Digital experiences are being shaped by other industries, resulting in pressure being put on financial institutions to build relevant banking and payment experiences.

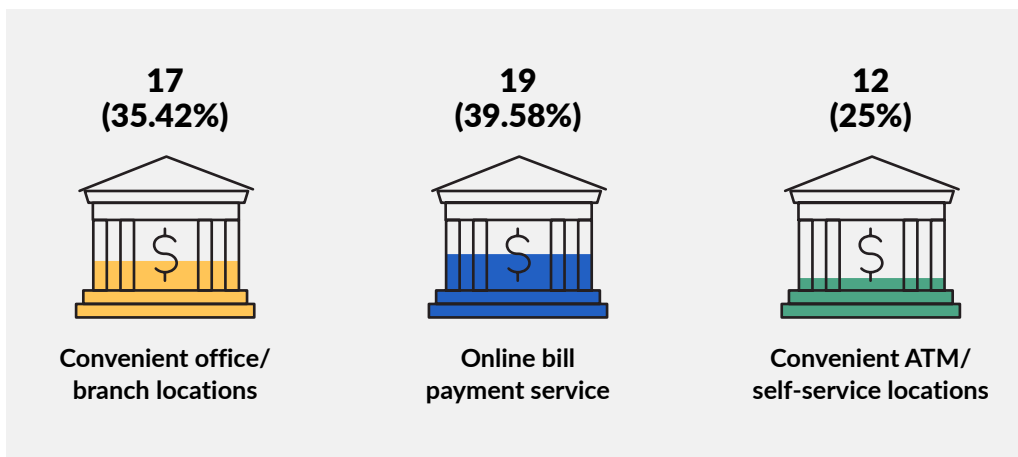
In a Credit Union Times hosted [webinar](#), David Albertazzi, Director, Retail Banking & Payments Practice, and Matt Rhodes, Senior Account Executive at Alacriti discussed the importance of understanding consumer behaviors and meeting their needs through digital channels.

Member Experience Expectations

Albertazzi began the discussion with recent factors shaping member experience expectations such as digital acceleration, self-service, and the great resignation. Going forward, these trends are expected to persist. He shared information from an Aite-Novarica survey (from H2 of 2022) of over 2000 banking consumers that endeavored to understand their financial behaviors. They found that trust remains a driving factor in choosing a primary financial services provider with [89%](#) of consumers saying that trust is very or extremely important to them, 87% feeling that being able to meet most of one's financial needs is very or extremely important, and 82% feeling that having one's best interest at heart is very or extremely important. "And then you see further down that being innovative and cutting edge is still somewhat important to consumers, but it's less important than the traditional drivers such as trust and meeting someone's need. This overall sentiment here is held true across all generations. Knowing your member demographics and understanding their financial goals are imperative to developing the right value propositions and the right tools."

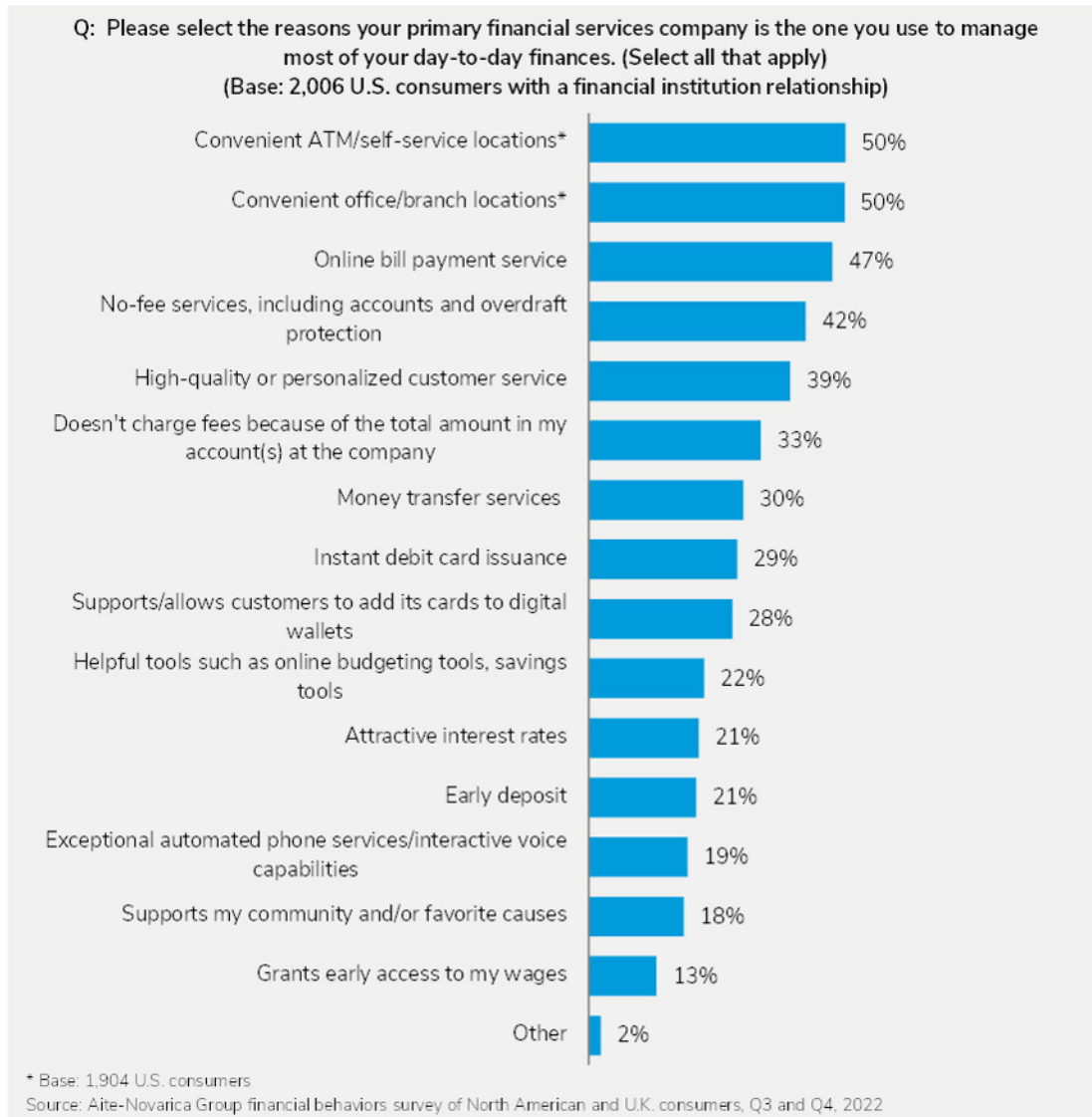
The mobile channel has become the dominant communication of choice, therefore, enhancing the mobile experience needed to be a priority—digital banking adoption is at [73%](#) across all age groups (millennials do have higher adoptions with 9 out of 10 being enrolled). 64% of U.S. consumers login into their financial accounts at least once a week on their smartphones, compared to 48% logging in with their computers and 13% visiting a branch. Also, the preference for digital comes even before the account is opened—of the consumers who opened a checking account during the 12 months preceding the survey, 35% used a mobile app.

During the webinar, the audience participated (48 responded) in a poll where they were asked, *When choosing your credit union as a primary financial service provider, what do you think is the most important for your members?* Most (39.58%) responded that online bill payment service was the most important to their members.



How Today's Consumer Pays Their Bills

Albertazzi shared that Aite-Novarica's survey revealed that adding a bill payment service is a close third (at 47%) as a reason "your primary financial services company is the one you use to manage most of our day-to-day finances." The top reasons were having convenient ATMs and branch locations.



Aite-Novarica data also revealed that the average banked U.S. consumer has 15 accounts held across 4.4 financial services providers (this includes financial institutions, credit card companies, P2P providers, and BNPL). This shows how competitive the banking environment is. Considering this, Albertazzi encouraged credit unions to think about how they're currently delivering their bill payment services. "Especially using bill pay as a tool to convert your single service members, those that may only have a loan with you into full-service members. Therefore, increasing your level of engagement with them. And then in the long run increasing profitability."

Over time, consumer behaviors have shifted significantly. According to Albertazzi, approximately 16.8 billion bills are paid annually (roughly \$5.4 trillion dollars are paid). And Americans still write 2.3 billion checks. They provide their debit card information to pay 3.2 billion bills and their credit card information to pay another 2.8 billion. And ACH is still dominating the market as a payment method with nearly 8 billion bills. Given all of the options, bill pay has become a more complex ecosystem. Not only are there a wide range of payment methods, but there are also different channels, e.g., IVR, mobile, in-person, etc. Aite-Novarica research has shown that the payments mix has changed significantly in the last thirteen years. The percentage of bills paid by check went down from 37% to 11% between 2010 and 2023, while the number of bills paid via ACH went up from 36% to 48%. Payments by credit cards approximately doubled to reach 16%, and debit cards went from 11% to 19% during the same period.

The industry has discussed the decline of checks and cash for a long time, but the numbers still show that they represent a significant portion of consumer bill payments. This shows that there are some opportunities for improvement. Financial institutions and billers can help by providing consumers with additional payment options that increase digital transactions, consumer satisfaction, and ultimately help deepen the relationship.

For bills, there are two models offered to the consumers. With bill-direct, consumers go and pay their bills at each individual biller website/app. The FI-centric model is where consumers pay their bills by aggregating them onto their bank or credit union's website/app. Biller-direct continues to be the preferred model for online payments—77% of online payments are made on biller's digital solutions (according to Aite-Novarica's Q1 2023 study on 3,025 U.S. consumers). This growth has happened at the expense of bill pay, which declined from 38% in 2010 to 21%.

In Albertazzi's opinion, FI-centric bill pay is losing ground to direct bill pay for a few reasons. Younger demographics tend to be more comfortable using financial services from providers outside of their financial institutions. They trust them to collect and store sensitive financial data to pay their bills. At the same time, the current bill pay experience has not changed and is prone to friction. There's a conversion process for biller set up and maintenance, and also an inability to view additional billing information that may be of interest to a consumer such as insights and context to the payment.

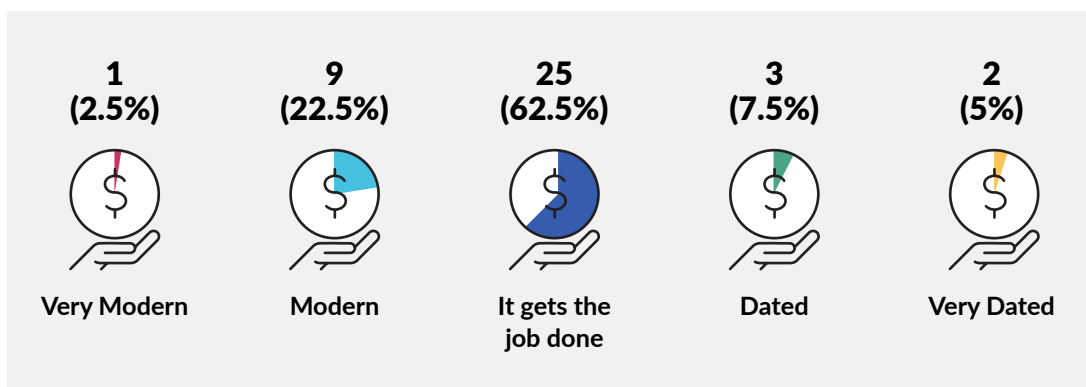
For example, the confirmation number given by the FI does not carry over to the biller, which could lead to some customer service issues. Also, there is a lack of payment methods. At a financial institution, it's very often that the funding source allowed is only the account at the actual financial institution. Another issue is that the payments do not post to the bill receivable in real-time. Credit unions can try to reverse the trends of losing ground to direct biller pay with some of the changes taking place in the industry such as real-time posting and allowing the data associated with the payment to also be listed. An audience member asked when

there are inconsistent billing amounts such as credit cards or utilities can credit unions have their bill pay compensate for that? Rhodes answered that part of the answer is APIs. "The APIs that we connect with your core will deliver that updated billing amount, such as the minimum payment for a credit card payment. So as long as that data resides on the core from cycle to cycle, we can pull that in real-time and present it to the member on authentication. And that's true for one-time payments or recurring payments. For utilities, this is where bill presentment and utilization of bill presentment data comes into play. If your bill pay provider has access to the bill presentment data, they know that the amount changes, even if it's recurring. The bill would get paid regardless of the amount changing over time. The key is not just code to the bill payment API, but also the bill presentment API"

While the split is favoring bill-direct, it's important to note that online payments as a percentage of total bills have gone up. In 2010, 5.4 billion online bills represented only 37% of payments. Now in 2023, it's 10.6 billion bills representing 63%. "One way to look at it is that the pie got bigger and more bills are being paid online, but as a percentage, we see bill-direct continuing to be the preferred model for the consumer," explained Albertazzi. While all generations prefer the bill direct model, there are some generational differences. Over 81% of online bills paid by Gen Zers and millennials are paid on the biller website/apps versus between 14-16% at financial institutions. 67% of bills are paid at billers by older baby boomers and seniors, leaving 31% of those bills at financial institutions. Gen Xers and younger baby boomers are somewhat in the middle with 22-23% of online bills paid at financial institutions. Overall, younger baby boomers and older baby boomers, and seniors pay a larger percentage of bills using checks than do younger generations. In contrast, older millennials and younger pay more of their bills using debit cards than older consumers do.

The Loan Pay Experience at Credit Unions

After the data was presented, the audience was asked how modern they considered their loan pay experience at their credit union. There were 40 responses. The large majority said, "it gets the job done." showing that many think there is room for improvement.



Rhodes was not surprised at the results of the poll. “It’s a common perception that “it’s getting the job done” because people are using it. So follow up questions that I would ask are, what are the adoption rates and what could that be? It’s about meeting your members where they want to pay. I thought the first poll was interesting because all of the answers had very close responses, and I think that’s different from what we would have got five years ago. There was a lot more choosing those online and digital channels. There are many factors at play including demographics, and also the fact that your average person now has 4 financial relationships. So what that says to me is there’s a 75% chance that with each of your members, you do not have their primary financial relationship. So it will get to the point where perhaps getting the job done will not suffice to attract and retain that younger generation.”

Rhodes went on to provide an example. [Florida Credit Union](#) identified payment modernization needs and worked with Alacriti to meet their goals. “What they found was exactly what the poll found—their solution was “getting the job done”. However, there’s a saying in the credit union world, “if you’re not growing, you’re dying”. So as their membership and loan portfolio grew, they found that their solution was no longer “getting the job done”. Once they offered a better variety of digital channels with integration into their core and online banking provider, they saw a 50% increase in bill payments in just 7 months. So they went from less than 10,000 payments to over 20,000 payments. And that growth is solely within the self-service channel. That means that payments that might have been opened in an envelope and posted through a check, or a member that called in to give their payment over the phone has shifted over to self-service methods. This greatly reduced their cost—they’ve lowered their cost per transaction that they’ve tracked on this project by over 50%. So it’s a great example of going from a system that was getting the job done and to making a modernized experience benefiting both members and credit union staff.”

“As members progress through their various life stages I think credit unions really need to help them understand and modify their behavior to stay on track with their financial goals,” Albertazzi explained. “Many consumers today are looking for ways to improve their financial health. But in order to do so, they need to be aware of their current financial status, have insights into their financial behavior, and get advice on what they should do to improve their financial wellness.” An Aite-Novarica financial behaviors survey (Q3-Q4 2022) showed the financial goals that consumers are currently working toward. In order, they’re primarily focused on reducing debt, better managing/reducing spending, improving their credit score, and saving for an emergency and for retirement. Albertazzi recommended that credit union executives help members with these goals.

Opportunities

Albertazzi presented data on innovation opportunities for bill pay. Members are looking for a frictionless enrollment process, notifications, and payment confirmation so they have peace of mind that the payment was made. Most consumers desire multiple payments or options, so having choices is important. Also, having a strong centralized way to pay as well as same day or near real-time processing are priorities for members.

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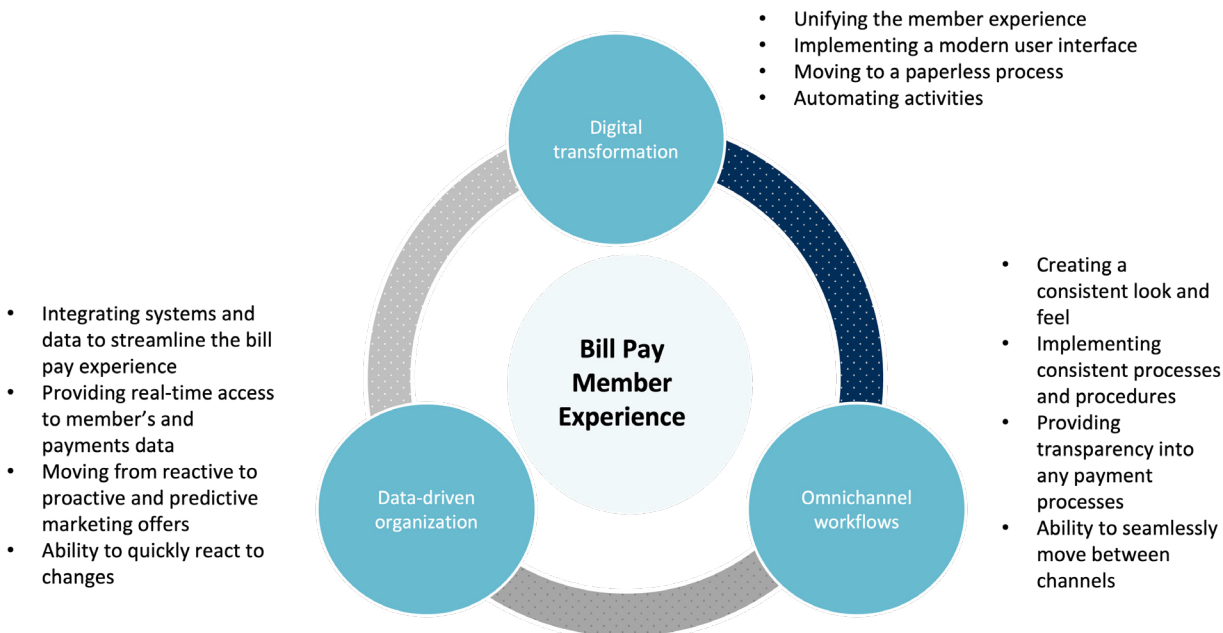
Innovation Opportunities for Bill Pay: What's Important to Members



Source: Aite-Novarica

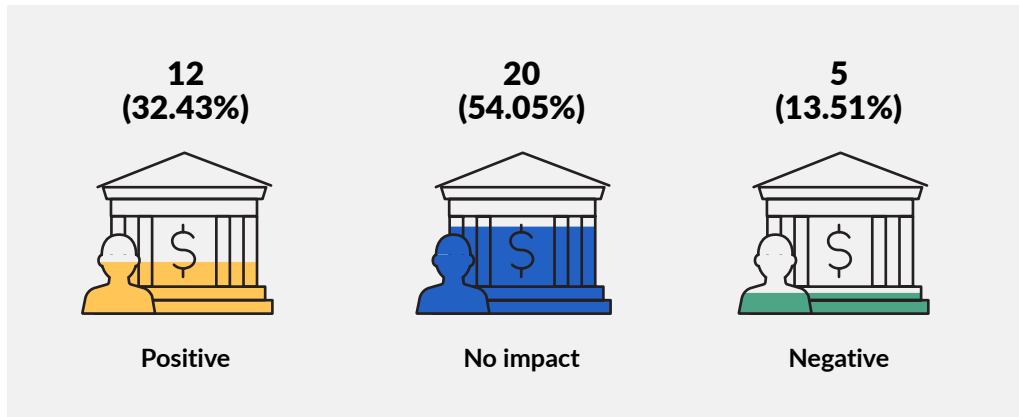
It's important to understand which channels consumers prefer so credit unions can accelerate their digital transformation efforts. Digital transformation efforts enhance omni-channel workflow tools, unify the member experience, and help the credit union become a more data-driven organization. A unified member experience is not just about including a consistent look and feel, but also implementing consistent processes and procedures that provide transparency into any process, and the ability to seamlessly move between those channels. Becoming a data-driven organization means that credit unions need to integrate systems and data to streamline the experience—providing real-time access to member and payment data.

Improvements to the Bill Pay Experience



Source: Aite-Novarica

The bill pay experience is often the first interaction that an indirect member has with a credit union. Indirect members represent a big opportunity. However, a poll was conducted during the webinar (37 participants), and 54.05% said that the loan pay experience has no impact on their indirect members becoming direct members.



Rhodes maintained that he wasn't surprised by the results given that oftentimes indirect members are not using online banking or any of the bells and whistles the credit union offers. "Even if the solution is a top-notch digital option, that indirect member may never see that." This is where it's important to have a robust Guest Pay option, where members can easily make payments using an array of options without having to enroll in an online portal.

Aite-Novarica asked financial institutions what their investment plans were for 2023. Interestingly, payments were 2 of the top 3 initiatives (1. Real-time payments, 2. Fintech ecosystem, 3. Payments modernization). "Real-time and overall payments modernization like payments hubs are really important to FIs. We are seeing a lot of financial institutions developing their own Fintech ecosystem and trying to expand their services to their members by reaching out to the fintech community to see how they can partner with them. Digital loan origination is a big piece, as well as the deposit side for improving the member experience. I think digital banking is not a project per journey. It's not uncommon to see constant improvements to digital banking platforms. A lot of FIs are looking at a personalized experience, trying to tailor the experience to what that consumer may be looking for," said Albertazzi.

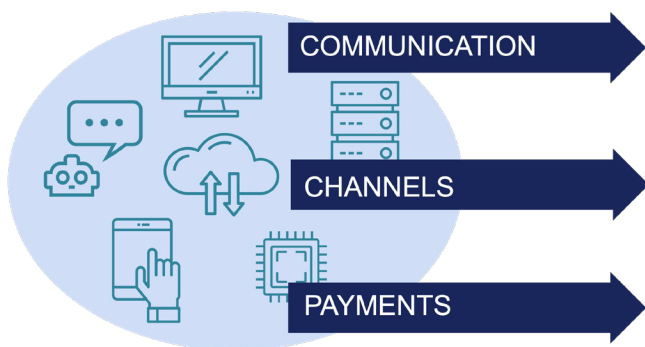
Albertazzi then shared that they are seeing that many financial institutions are reassessing their bill payment capabilities. "I think it has to do with the consumerization of payments. They're increasingly modernizing their solutions through automation, greater use of digital channels, better integration, and the use of real-time data capabilities. Digital is becoming the go-to transactional channel. A better differentiated and personalized experience is expected today, so contextually relevant data connected with the actual payment is needed. This is where the ISO 20022 messaging comes into play." ISO 20022 makes it possible for data to move alongside the payment."

Providing payment options to members is more of a requirement than a nice to have. Many financial institutions are outsourcing the compliance burden and payment automation to specialized payment vendors. So the market has been willing to adopt SaaS models. Now, with [APIs](#), it's possible for organizations to remain more in control of the user experience. APIs bring the ability to outsource just the function, but the financial institution can control what members are seeing, which can be a true market differentiator for credit unions.

Toward the end of the webinar, Rhodes talked about how Alacriti's [Orbipay EBPP platform](#) helps meet members where they want to pay. Orbipay EBPP is a solution with an omnichannel approach, offering everything from web-based payments to an AI chatbot, phone agent assistant, pay by text, etc. "The platform offers all of those channels and consolidates the payment posting down through your core and some integrations within your online banking to get the payment data posted in real time. The member can make their payment with a variety of sources and channels."

Payments modernization also includes real-time payments rails like TCH's RTP® network and FedNowSM Service. The Orbipay [payments hub](#) offers an increased speed to market, enhanced system resiliency in the cloud (that has self-healing properties), and redundancy in data that allows it to run at 99.9% uptime and decreased cost to operate. The [microservices](#) model allows credit unions to only add the rails or use cases that they need. Alacriti takes on a lot of what's involved with payments modernization, whether be PCI or other regulations, technology including [ISO 20022](#), and upgrades. The benefits of payments modernization include liquidity management and cash flow (decreased delinquencies). "Just having easier ways to pay is going to get you more payments on time and have everything settled quicker. The ultimate reason for payments modernization is member satisfaction and retention," explained Rhodes.

Albertazzi provided recommendations for moving forward. "Consumers have a whole new set of expectations today. They're likely to use new digital tools and capabilities that will improve their payment experience. This results in higher satisfaction and



- ✓ Remove friction and barriers from bill presentment and payment activities.
- ✓ Automate certain tasks and reduce errors associated with enrollment.
- ✓ Provide a variety of payment options so that consumers can choose the payment methods that best fit their needs.
- ✓ Provide additional insights and context to the payment experience via improved messaging, including member notifications.
- ✓ Offer real-time settlement, taking out the guesswork of when the bill will be received via a wider adoption of the ISO 20022 message standard.
- ✓ Structure business processes around your member rather than the product(s) he/she uses.

diminished frustrations that we see associated with making payments. So we expect to see improvements both to the front end and the back office capabilities, most notably in three areas, communication, channels, and payments.”

Albertazzi ended the webinar with advice for credit unions. “Remove friction and barriers as much as possible, automate tasks, and reduce your errors associated with the bill pay set up today. It’s a problem for many consumers. Provide a variety of payment options so that your members can really choose what best fits their needs, and provide additional insight and context to that payment experience via better messaging. And by messaging, I mean for example new standards ISO 20022 and then offer real-time settlement with a more messaging format, which is not available today in a lot of cases. The payment landscape is changing rapidly, and system integration is very important. Bill present and e-bills are emerging as key consumer touchpoints and communication tools. Credit unions should think about the experience in delivering statements to members, whether it’s for their loan payments or other things, and use that as a member touchpoint. We see that technology evolving rapidly,” Albertazzi said.

To learn more about the current trends shaping the banking and bill payment experience, watch the full webinar, **Repositioning Bill Pay at the Center of the Credit Union Digital Experience**, featuring Aite-Novarica and Alacriti.



WEBINAR PLAYBACK

Repositioning Bill Pay
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Alacriti’s centralized, payment hub, provides innovation opportunities and the ability for members to make smart routing decisions at the credit union to meet their individual needs. Credit unions can unify payment processing all in one cloud-based platform – ACH, the Fedwire Funds Service, TCH RTP® network, Visa Direct, the FedNowSM Service. To speak with an Alacriti payments expert, please contact us at (908) 791-2916 or info@alacriti.com

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