BILLPAY GROWING HO HUM? Call to banks: Your [almost] missed billpay opportunity

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Arguably,

online billpay is one of the most valuable tools in a bank's portfolio of products and services. In an increasingly competitive economy, traditionalists suggest that online bill payment is the best retention tool you can offer. A bank needs to develop a comprehensive billpay strategy or risk missing out on attracting and keeping a valuable customer base.

However.

the "low-hanging fruit" of billpay customers is already gone. Per an August 2012 Javelin Strategy and Research report, billpay as we know it today has achieved "saturation because it is outmoded and unappealing in an era of customer-controlled interactive finance." It states boldly that billpay and online bill presentment-along with standard online banking-are at a point of standstill or even decline for the next five years if financial institutions do nothing to change these technologies' infrastructure and role in consumers' lives.

Banks

relying on online billpay to be a "sticky" service will miss the boat and see a decline in billpay adoption as well as usage. Instead, they must transform the service into an integral component of customers' increasingly digital and integrated money management routine. In doing so, customers may realize the ease with which they can pay bills through the financial institution's consolidated model versus multiple biller websites.

According

to Javelin, about 81% of consumers who manage their household finances banked online at least once in the previous 12 months. Last year, 54% of households logged into their primary bank or credit union to pay bills on a monthly basis. Americans overall prefer to pay bills online over snail mail by a 2:1 ratio. Despite many people opting to pay through biller direct models, financial institutions do have the opportunity to gain a unique competitive advantage by offering intuitive bill payment solutions that meet consumers' evolving demands for mobility, convenience and loyalty.

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can fix the problem of stale billpay offerings and less than stellar growth; they just need to recognize the issue and properly address it. They must focus on marketing their consumer billpay adoption to three key segments:

- 1)
 The more than one-third of customers who already bank online yet forego paying bills through their institution's site;
- 2)
 Those who participate in online financial activities but do not actually bank online; and
- 3) Individuals nearing high school and college completion, as well as young professionals, are all large up-and-coming demographics. With younger generations' comfort in leveraging web and mobile devices, they are sure to prefer paperless payment methods.

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can successfully reach out to these three key segments by ensuring their own online and mobile bill payment solutions are loaded with integrated services such as person-to-person (P2P) payments, account-to-account (A2A) transfers, expedited payments, and even mobile remote deposit capture. Many institutions are losing this battle because they view such services as nice-to-haves. Instead, they must be included in banks' online and mobile billpay functions, rounding out the options for how individuals can smartly manage and move their money, in one place. This also takes into account the aggregation of billpay with additional financial management tools. Furthermore, banks should plan on incorporating account alerts, providing feedback to customers based on their spending habits and doing so with a multi-account view of the customer's finances, beyond just your institution.

Additionally,

while financial institutions have heard the call to streamline mobile and online self-service functions, many cannot yet support true agnosticism between devices and browsers. Javelin reports that more than one in three mobile phone owners will pay bills on a mobile device in 2012. Bankers must move quickly to win the mobile billpay business. An Aite September 2012 survey revealed that 29% of billers already offer a mobile-optimized website, with 28% of them providing

a mobile app to accept payments. Even more are moving in that direction, with one third having plans to introduce a mobile-optimized site in the next two years and 29% extending a mobile app experience in that same time period. Has your bank made that adjustment? We live in a day of mobile applications. If financial institutions avoid it, billers alone can expect to capitalize on that growth potential.

Consolidating

bills on a bank's site is faster and easier than using disparate biller sites. The reason that biller direct sites compete is due to the attention they pay to consumer preferences. Biller websites often give a much more thorough view of the consumer's current bill plus just as much information as on previous invoices. In addition, the sites have a tendency to be more easily navigable as well. Banks need to make the process of getting to their billpay, fulfilling payment and viewing other information simple. All customers want to have access to just as much (or more) information in an electronic bill view than they get from a paper statement alternative.

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historically weak economy has compelled consumers to evaluate and monitor their finances more seriously than in the past. Everyone is looking for better ways to control their money flow while, as technology advances, also expecting more convenient access to accounts and transaction capabilities. Banks' online bill payment services can be the source to which they turn. Online billpay-if appropriately modified-can help institutions secure the primary banking relationship with their more profitable customers, and retain and attract younger ones who are more reliant on payment technologies. Billpay services improve customers' relationships with both the biller and add more value to the financial institution in cost savings, new efficiencies and improved sustainability. Online billpay can be relevant and profitable for your institution if you fully enable it.

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