

Research Paper

Sixth Annual Billing Household Survey:
The Gen Y Effect and Explosive Growth of the
Mobile Channel Fuel Need for Billers to Support
More Payment Channels Than Ever Before

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Sixth Annual Billing Household Survey

As more members of Gen Y take on bill payment responsibility and the popularity of the mobile channel grows, Americans are paying their bills in more ways than ever before. This presents both opportunities and challenges for billers as they strive to keep pace. The increasingly complex terrain requires billers to provide a cohesive experience across an even greater number of channels, but also enables billers to leverage the unique capabilities of specific channels to achieve key goals, such as growing e-bill adoption. By providing integrated billing and payment solutions across multiple channels, billers can reduce costs, enhance operational efficiency and improve customer relationships.

To help billers better understand and navigate the complex and evolving consumer billing and payment landscape, Fiserv sponsors an annual online survey focused on how consumers receive and pay bills from companies that send bills on a recurring basis. To maintain continuity, Fiserv employs The Marketing Workshop to manage the Billing Household Survey each year. The 2013 Billing Household Survey, the sixth annual survey in this series, was completed by 3,004 respondents at least 21 years of age and responsible for paying bills. The results are representative of the U.S. population of online households, which is approximately 100 million out of 121 million total U.S. households. The results of the Household Billing Survey were compared to similar surveys sponsored by Fiserv to capture ongoing and emerging trends.

Gen Y Effect Plays a Role in Billing and Payment Trends

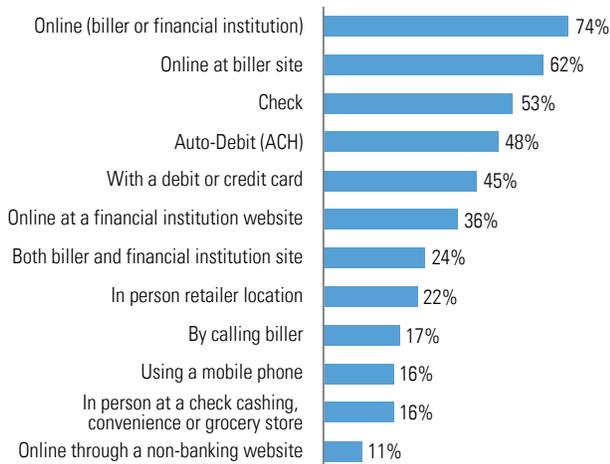
A “Gen Y effect” is occurring as these consumers come of age and begin forming households. Commonly defined as the generation of people born between the early 1980s and early 2000s, Gen Y consumers are increasingly becoming responsible for paying bills and, as a result, they are driving deliverables for billers based on distinct and specific bill payment preferences. Representing the first group of consumers raised in the “digital, on-demand age,” Gen Y has higher expectations for a wide range of choices to satisfy the desire for instantaneous, 24x7 access to information and tools to manage their personal and professional lives.

Households Use More (and More and More) Methods to Pay Bills

The bill payment landscape continues to fracture and shift with newer channels, such as mobile and tablet, emerging alongside well-established payment methods, such as checks, mail, walk-in and phone. The number of online households that pay bills electronically either through a biller or financial institution website held steady from 2012 at 74 percent, with 24 percent of households using both methods (see Figure 1). As the number of payment channels continues to grow, there is a continued shift in the channels consumers use to pay bills. The percent of online households that pay at least one bill a month by check declined from 61 percent in 2012 to 53 percent in 2013, while the number that use their mobile phone to pay bills doubled from 8 percent to 16 percent. Despite the emergence and consumer adoption of new payment methods, consumers have not completely abandoned the “old” methods of paying bills like checks, phone or in person payments, making the payments landscape continuously more complicated for billers.

Figure 1. Bill Payment Methods Fragmented

Percent of online households using payment method or funding type last month

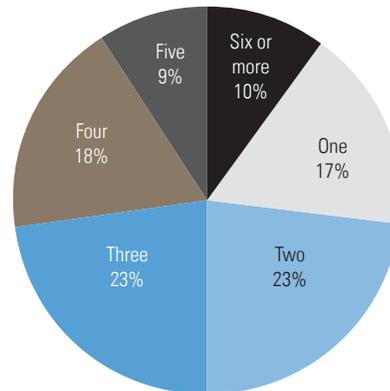


Source: Sixth Annual Billing Household Survey, Fiserv Inc., 2013

Consumers also continue to use multiple payment methods, with 83 percent using two or more payment methods monthly (see Figure 2). The average number of bill payment methods consumers use increased more than 10 percent from 2012 to 2013, rising from 2.9 to 3.2. Based on this pattern, it is not surprising that two out of three consumers believe it is important for billers to offer multiple ways to pay bills. The Gen Y effect is evident here as 74 percent of Gen Y respondents consider offering multiple payment options important, compared to 67 percent of all respondents. In addition to using a variety of ways to pay bills, almost one in five households (16 percent) change the way they pay bills month-to-month, citing availability of funds, payment due date and amount due as the top reasons. Consumers’ growing use of multiple payment methods, as well as the tendency of a smaller but still notable number of consumers to change the way they pay bills from month-to-month, underscores the need for billers to provide a cohesive experience across all of their billing and payment channels.

Figure 2. Most Consumers Use Multiple Methods to Pay Monthly Bills

Number of bill payment methods consumers use monthly as a percent of all U.S. households

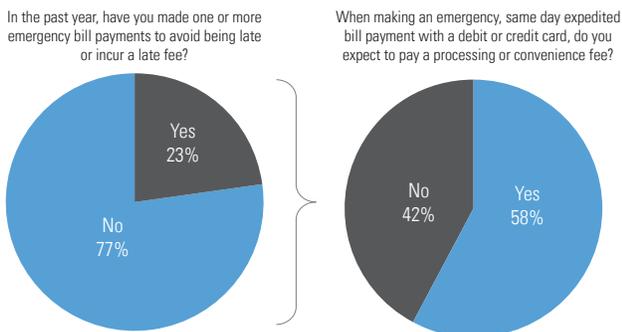


Source: Sixth Annual Billing Household Survey, Fiserv Inc., 2013

Emergency Payment Capability is Critical as Consumers Continue to Pay Bills Late

Cash flow difficulties (47 percent), forgetting when a payment is due (39 percent) and tending to wait until the last minute (22 percent) are the primary reasons one-third of households have missed a payment or paid a bill late in the past year. Nearly one in four consumers use emergency payments and more than half of those (58 percent) expect to pay a convenience fee when making an emergency payment with a debit or credit card (Figure 3). The Gen Y effect again plays a role here as 25 percent more Gen Y than non-Gen Y consumers pay bills late and 43 percent more make emergency bill payments.

Figure 3: About 1 in 4 Consumers Had to Make an Emergency Bill Payment: Most Expect to Pay a Fee if Using a Debit or Credit Card



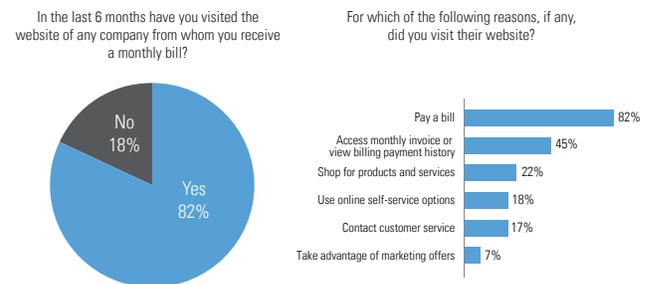
Source: Sixth Annual Billing Household Survey, Fiserv Inc., 2013

The survey results point to the fact that consumers want the flexibility to pay bills based on when they have the funds, when a bill is due and when life events allow. As such, it is important for billers to provide customers with a wide variety of payment choices, including the ability to pay bills using the method they want (electronic bill pay, check or card), through the channel they want (mobile, tablet or walk-in), when they need to (including expedited and last minute payments).

Billing and Payment Still Primary Reason Consumers Visit Biller Sites

Over 80 percent of consumers who visit a biller’s website do so to pay a bill (Figure 4), reinforcing the importance of making billing and payment a prominent and strategic part of the site. Billers can help lower customer service costs by ensuring the variety of payment channels and methods available is highly visible throughout the site. Seventy-one percent of consumers who make payments directly at a biller’s site say that being able to do so has prevented having to call the biller for service. Billers that do not provide an easy, direct and clear way for consumers to locate billing and payment information and make payments risk customers abandoning their sites and using higher cost channels to view and pay their bills. Also worth noting is that almost one-third of consumers prefer not to register when paying a bill at their biller’s site, illustrating the need for billers to provide consumers a “guest check out” or non-registration option.

Figure 4: Consumers Visit Biller Sites Mostly for Billing and Payment



Source: Sixth Annual Billing Household Survey, Fiserv Inc., 2013

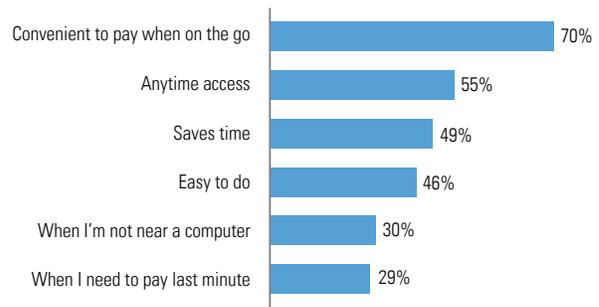
Mobile Billing and Payment is Exploding – There Are More Smartphone Owners and More Are Using Their Phones to Pay Bills

iPhones, Blackberrys, Androids...smartphones are everywhere. More than half (57 percent) of U.S. online households now own a smartphone, up from 47 percent in 2012. As the number of people who own and use mobile devices (smartphones, tablets and cell phones) is increasing, so are mobile bill payments. The number of U.S. online households that have made a mobile bill payment via app, mobile browser or text in the last month doubled from 8 percent in 2012 to 16 percent in 2013, which represents an increase from 8 million to 16 million households. Among smartphone owners, the increase was larger with the number making a mobile bill payment up 150 percent (30 percent have used their smartphone to pay bills).

The growth in mobile bill payment can be attributed to the value and benefits mobile bill pay users say it delivers. Consumers who pay bills using their mobile phone to do so primarily because it is convenient (70 percent), provides anytime access (55 percent) and saves time (49 percent) (Figure 5). The number of reasons consumers cite for why they use mobile bill payment increased by 26 percent from 2012, indicating that consumers are finding even more value in the service.

Figure 5: Mobile Bill Payment Delivers Multiple Consumer Value Propositions

Why did you choose to pay bills with your mobile phone?



Source: Sixth Annual Billing Household Survey, Fiserv Inc., 2013

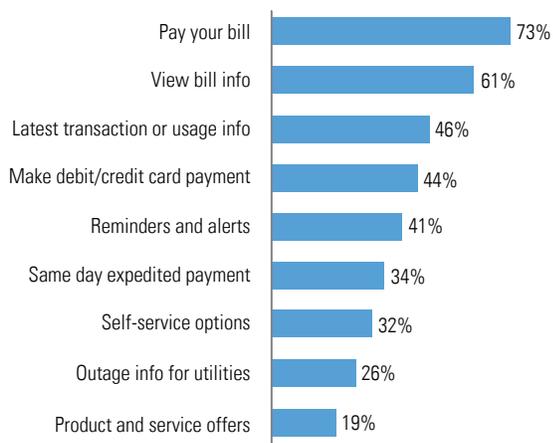
With more web traffic and payments coming from the mobile channel, mobile bill pay users are becoming an increasingly important segment for billers. It is in billers' best interests to understand as much as possible about this growing population. According to the Billing Household Survey:

- iPhone users are 48 percent more likely than Android users to pay a bill via their smartphone
- The top reason consumers would visit a biller website via a mobile device is to pay a bill and the top function they want from a mobile website or biller app is the ability to pay a bill (Figure 6)

- The average number of bills paid by mobile bill payers increased 19 percent from 2012 to 2013
- Biller mobile sites and financial institutions apps are increasingly used for paying bills
- The top barriers to making a payment on a mobile phone are a preference to use a computer to pay bills, security and difficulty navigating a smaller screen

Figure 6: Billing and Payment Main Functions Consumers Want in a Mobile Website or Biller App

What are the main functions you would like for a biller to provide via a mobile browser or app?

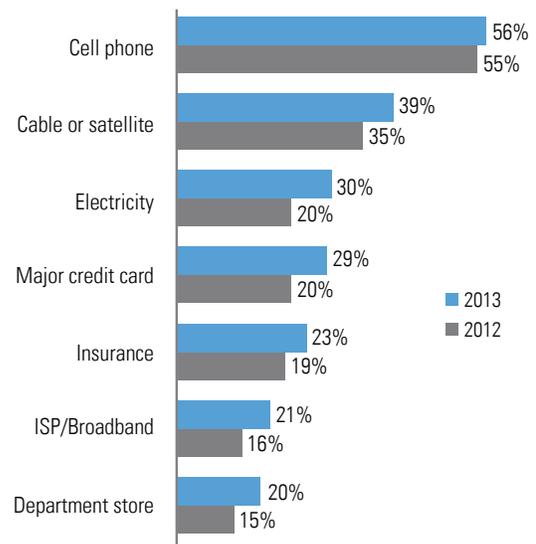


Base: Use smartphone to pay bills or interested in using smartphone to pay bills

Source: Sixth Annual Billing Household Survey, Fiserv Inc., 2013

Figure 7: Mobile Bill Pay Users Are Paying More Types of Bills

Please indicate which bills you paid using your mobile phone



Base: Use smartphone to pay bills

Source: Sixth Annual Billing Household Survey, Fiserv Inc., 2013

Consumers Are Using Mobile Bill Pay More Frequently for All Major Bill Types

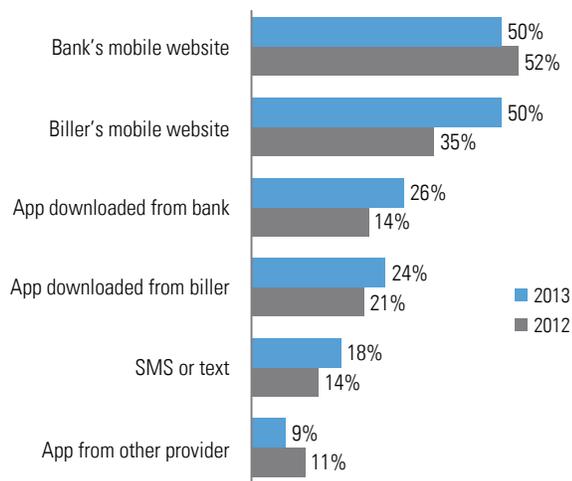
Another indicator of the rapid and widespread adoption of mobile bill payment is an increase in the types of bills consumers paid using their smartphone. While all major household bill types grew from 2012, electric and credit card bills experienced the most growth (Figure 7).

Most Mobile Bill Payments Are Made by Visiting a Bank or Biller Website

As is typical with bill payments initiated from desktops and laptops, consumers who pay bills via their mobile phone typically make payments through their financial institution or biller, rather than through a third-party service. Mobile-optimized bank and biller websites are the most popular choice when paying bills with a smartphone followed by apps downloaded from the bank or biller. The use of a biller’s mobile website to pay a bill increased significantly from 2012 to 2013, perhaps because more billers recently rolled out this capability (Figure 8).

Figure 8: Mobile Biller Direct Sites and Financial Institution Apps Becoming More Popular for Bill Payment

Of the bills you paid using the texting, browser or app capabilities of your smartphone how many did you pay? (check all that apply)



Base: Use smartphone to pay bills

Source: Sixth Annual Billing Household Survey, Fiserv Inc., 2013

Mobile Bill Payment Capability Can Improve Customer Relationships, Lower Costs and Increase E-bill Adoption

One out of every two households that use mobile billing and payment say that it has improved their relationship with the biller. The mobile channel offers distinct capabilities and advantages, such as anytime, anywhere access, which contribute to this positive impact on customer relationships. A better bill paying experience for consumers results in a better overall perception of the biller and a more positive relationship.

The appeal of the mobile channel goes beyond convenience; unique attributes, such as cameras, voice recognition capabilities, geo mapping and biometric authentication, offer new and innovative ways to interact with bills and make bill payments. This is important for today’s consumers, especially Gen Y, who gravitate to creative and fun user experiences. In fact, the Billing Household Survey found that the number one motivator to pay bills or pay more bills using a smartphone is the use of an app and smartphone camera to take a picture of the bill, cited by 36 percent of respondents. This finding reinforces consumers’ desire for a more engaging, simple and quick user experience.

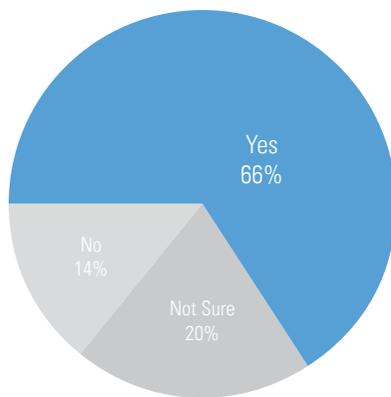
The mobile channel also offers the capability to deliver more timely and actionable payment due alerts and reminders, which can also help billers improve their reputation among consumers and increase e-bill adoption. Nearly three out of four households that expressed an interest in receiving alerts and reminders said they would have a more positive perception of a biller who sends them a reminder to pay a bill. Sixty-six percent said alerts

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and reminders would increase the likelihood they would use paperless e-bills, most likely because alerts help consumers overcome the concern of not having a paper bill to serve as a reminder to pay (Figure 9).

Figure 9: Receiving Bill Due Reminders Can Increase Likelihood of Activating Paperless E-bills

Would receiving due date reminders increase your likelihood of opting to receive bills electronically with no accompanying paper bill at a bank or biller site?



Base: Biller direct and financial institution bill pay users interested in receiving bill due reminders

Source: Sixth Annual Billing Household Survey, Fiserv Inc., 2013

Billers that offer functionality that takes advantage of the unique attributes of the mobile channel, such as the camera to facilitate the capture of information for bill payment and text alerts to remind consumers of bill due dates, can offer consumers a better bill paying experience. These functionalities not only improve relationships, they can also reduce costs by increasing the likelihood that customers will make electronic payments and receive e-bills, shifting more of their interactions to the low-cost mobile channel.

More Tablet Owners Are Embracing Mobile Bill Payment

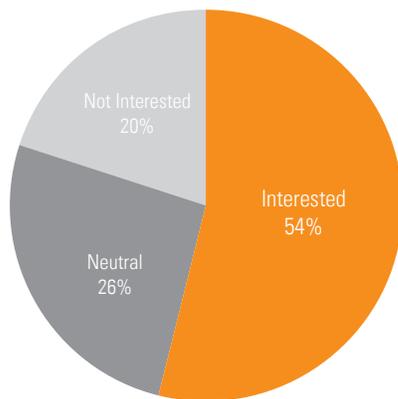
Smartphones aren't the only mobile devices consumers want to own. The number of tablet owners jumped from 41 percent to 51 percent of U.S. online households from 2012 to 2013. The majority are iPad owners (44 percent) followed by Android owners (28 percent) and Kindle owners (25 percent). One in four tablet owners use their tablet to pay bills, an increase of 19 percent over 2012. Additionally, 36 percent of tablet owners had used their tablet to visit a biller site in the previous 30 days, compared to 30 percent in 2012. The primary reason for the visit was to pay a bill (63 percent) followed by accessing invoice information and history (36 percent). Another interesting survey finding for billers is that the majority of tablet owners (60 percent) say paying bills with a tablet would increase their likelihood of adopting e-bills. This may be attributed to the larger viewing area a tablet has to offer over a smartphone and the greater convenience and portability a tablet has over a computer.

There is Still Room for Improvement in E-bill Adoption

Billers are well aware of the benefits e-bills deliver, including lower costs, greater digital engagement and a higher level of self-service, which is why billers continue to strive for higher levels of e-bill adoption. While most industries experienced incremental increases in the number of bills received as e-bills from 2012 to 2013, with credit card and electricity bills having the biggest gains, there is still room for improvement. Among consumers who receive e-bills at biller sites, only 29 percent have also turned off paper bills; 40 percent still receive all corresponding paper bills; and 31 percent receive some paper bills. Indications are good that consumers are receptive to e-bills; more than half of consumers who receive paper bills expressed interest in receiving e-bills in the next year (Figure 10).

Figure 10: Over Half of Those Receiving Paper Bills Interested in Viewing Paperless E-bills at the Biller Website

Level of interest in viewing paperless e-bills at biller websites in the next year.



Source: Sixth Annual Billing Household Survey, Fiserv Inc., 2013

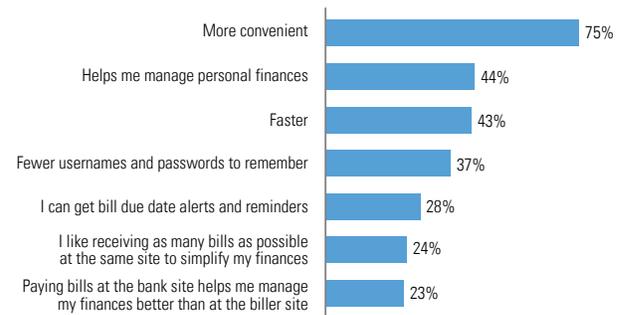
Offering bill payment alerts and reminders to help consumers avoid late payments is one way billers can increase interest in e-bills. Two out of three households interested in receiving bill due date reminders say that receiving such alerts would increase the likelihood that they would sign up for paperless e-bills. By incorporating bill due date reminders into the e-bill service, billers are able to neutralize the top barrier to paperless e-bill adoption; concern about forgetting to pay without a paper bill to serve as a reminder. Forty-three percent of Billing Household Survey respondents cited this as the primary reason they have not turned off paper bills.

Green Benefits Can Help Overcome Barriers to Adoption, Especially Among Gen Y

When communicating with consumers about adopting e-bills, it is important for billers to include messaging about the environmental benefits e-billing delivers, particularly when communicating with the Gen Y population. Sixty-two percent of online bill pay users say the environment is a key factor in the decision of how to receive and pay bills, an increase of three percent from 2012. Among Gen Y, the environmental benefits of e-bills are even more

Figure 11: Many E-bill Double Dippers Prefer to Receive E-bills at Financial Institution Sites, Mostly for the Convenience

Why do you prefer to accept or view bills at a bank or credit union website?



Base: Biller direct and financial institution e-bill recipients, prefer banks

Source: Sixth Annual Billing Household Survey, Fiserv Inc., 2013

important when compared to the average (68 percent versus 60 percent). As Gen Y consumers become a larger percent of the bill paying population, it is important for billers to be aware of and support their needs and to focus on messaging that will resonate with this demographic, including mobile bill payment availability and benefits, and green/environmental benefits.

Billers Benefit From Digital Engagement Wherever It Occurs

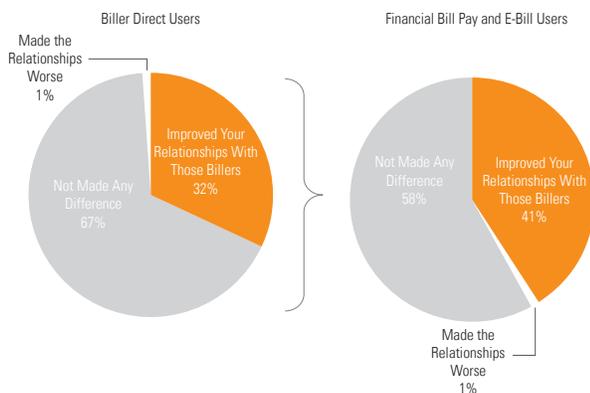
Different consumers utilize different channels to view and pay bills for different reasons and billers need to accommodate the wide array of preferences. Ten percent of online households who receive e-bills receive them at both biller and financial institution sites (known as e-bill “double dippers”), mostly because they prefer to pay some bills at biller sites and other bills at financial institution websites. Many double dippers prefer to receive e-bills at their financial institution’s website due to the greater convenience (75 percent) and personal financial management (44 percent) that comes with receiving and paying bills at a bank or credit union (Figure 11).

Casting a Wider Billing and Payment Net Builds Stronger, More Loyal Relationships

Billers who take a one-size-fits-all approach by offering electronic billing and payment options only through their own biller direct websites or mobile apps, run the risk of limiting e-bill penetration and alienating customers who pay and receive other bills through consolidated sites, such as banks and credit unions. What billers should consider is that no matter where consumers view and pay bills electronically, the result is stronger relationships and higher customer retention for the biller. Thirty-two percent of biller direct users and 41 percent of financial institution bill pay and e-bill users say viewing and paying bills electronically has improved their relationships with their billers (Figure 12). Additionally, 23 percent of biller direct users say viewing and paying bills electronically makes them less likely to switch to a competitor of their biller compared to 34 percent of those who use their bank or credit union to view and pay bills.

Figure 12: Viewing and Paying Bills Electronically at Biller and Financial Institution Websites Improves the Customer Relationships

Do you feel that viewing and paying bills electronically has generally:



Source: Sixth Annual Billing Household Survey, Fiserv Inc., 2013

Change is the One Constant in Billing and Payment

As new channels are created and develop, existing channels must be not only maintained but also updated to offer the latest capabilities. While this presents an increasing level of complexity for billers to navigate, it also affords numerous opportunities, particularly within the mobile channel and with the Gen Y population, to reduce costs, increase digital engagement and build stronger, deeper customer relationships.

Opportunity #1: Mobile Billing and Payment is Exploding

Increasing adoption and usage of smartphones and tablets is creating a post-PC era. Billing and payment functionality, channels and interfaces must evolve accordingly to keep up with demand. To cater to consumers, billers must optimize their websites for mobile devices and offer apps that provide an enhanced and consistent user experience across any size, shape and type of screen.

Opportunity #2: The Bills Are Starting to Pile Up for Gen Y

Members of Gen Y are forming their own households and quickly entering into the world of paying bills. This demographic group demands lots of quick and convenient billing and payment choices and expects an easy, intuitive user experience. If not offered, they will quickly abandon the biller’s site and utilize other more costly billing and payment services.

Opportunity #3: Billing and Payment is Still the Primary Reason Consumers Visit a Biller's Website

The primary reason consumers visit a biller's website via desktop, web or mobile device is to conduct bill payment activity. As such, billers should prominently feature billing and payment functionality on their desktop, mobile optimized websites and in apps. They also need to provide a quick and easy user experience that offers capabilities consumers want, such as enabling payment using a guest check out option (no registration required); expedited and emergency payments; card-funded payments; bill alerts; and payment reminders.

Opportunity #4: The Mobile Channel, Bill Due Reminders and a Multi-Channel Approach Can Increase E-bill Adoption

To increase e-bill adoption, billers need to understand and address barriers to adoption. A mobile, multi-channel approach combined with aggressive marketing, specifically to Gen Y consumers, can lead to higher adoption levels. Mobile functionality has the ability to increase e-bill adoption by facilitating anytime, anywhere bill due date reminders, neutralizing the top barrier to paperless e-bill adoption, which is a concern about forgetting to pay or paying late due to a lack of a paper bill to serve as a reminder. Finally, to gain interest in e-bills from customers who prefer to pay bills through a consolidated portal, such as a bank or credit union website, billers should offer the ability to receive their bills there as well.

About the Author

Eric Leiserson is a Senior Research Analyst at Fiserv. His responsibilities include the development of consumer related electronic billing and payment research, adoption strategies and marketing programs for Fiserv. He has conducted numerous primary research projects and webinars in the areas of green marketing, consumer segmentation, longitudinal surveys, web usability and focus groups. Prior to joining Fiserv in 2004, Leiserson held marketing and sales positions at Unisys Corporation and Digital Insight.

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