

■ SEPTEMBER 2021

THE FLEXIBILITY FACTOR:

**Mapping Consumer Demand
For Bill Payment Innovation**

The Flexibility Factor: Mapping Consumer Demand For Bill Payment Innovation, a PYMNTS and BillGO collaboration, presents findings from a census-balanced survey of 2,261 adult consumers. The study reveals a significant shift in consumers' preferences for offerings that remove friction from the bill-payment process.

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The Flexibility Factor: Mapping Consumer Demand For Bill Payment Innovation was produced in collaboration with BillGO, and PYMNTS is grateful for the company's support and insight. [PYMNTS.com](https://pymnts.com) retains full editorial control over the following findings, methodology and data analysis.

INTRODUCTION



Today's consumers want transparent and convenient payment options that offer more control over how they track and pay their upcoming bills. That means modern customer experience features — such as online tools that help consumers better manage day-to-day cash flows and schedule payments — are key to keeping these consumers engaged. Most consumers use their bank accounts to process and schedule regular, fixed payments such as mortgages and auto loan payments, and they often manage more variable payments, such as utilities, directly with the biller. The need for flexibility drives this behavior. Scheduling a payment directly with a utility, for example, gives consumers the option to pay what they can or request a more lenient due date. Consumers continue to seek easier ways to remove friction from payments, and innovative financial institutions (FIs) and FinTechs are beginning to respond to consumers' need for flexibility with online tools designed to increase their control over their financial lives.

The Flexibility Factor: Mapping Consumer Demand For Bill Payment Innovation, a PYMNTS and BILLGO collaboration, examines American consumers' current bill payment behaviors and preferences. The study analyzes responses from a census-balanced survey of 2,261 adults, revealing a profound shift towards digital payments and significant consumer interest in online tools that help individuals manage and protect their finances.

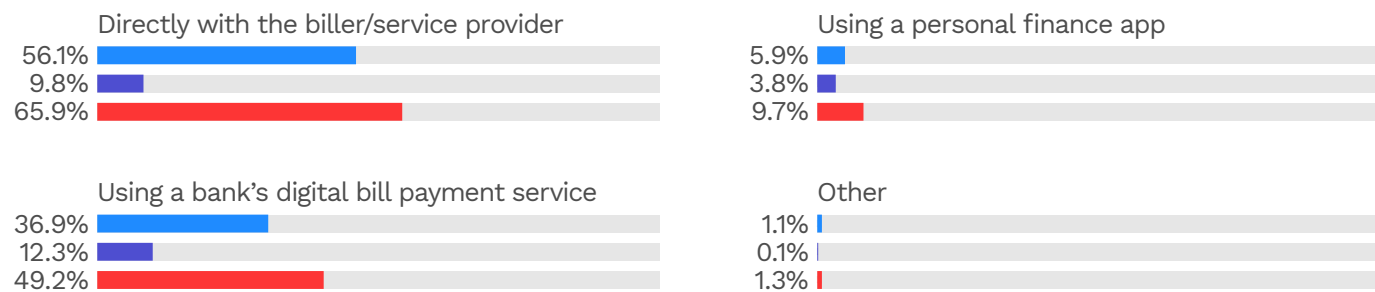


More than **two-thirds of consumers pay all or most of their bills directly to the billers**, and half have used bill pay services through their banks to pay some of their bills.

The digital shift has transformed consumers' payment expectations and behaviors. PYMNTS' research found that 66 percent of consumers now pay some or all of their bills directly with the biller or services provider — significantly more than the 49 percent of consumers who use digital bill payment services from their banks to pay some or all of their bills and the 10 percent who have used a personal finance app to pay bills.

FIGURE 1:
Consumers' use of select bill-paying methods

Share of consumers who pay their bills in select ways, ranked



Source: PYMNTS.com

■ Most used
■ Used, not ranked first
■ Total

FIGURE 2:
Desired bill-pay features

Figure 2A: Features respondents would like to see a bill pay service offer, ranked

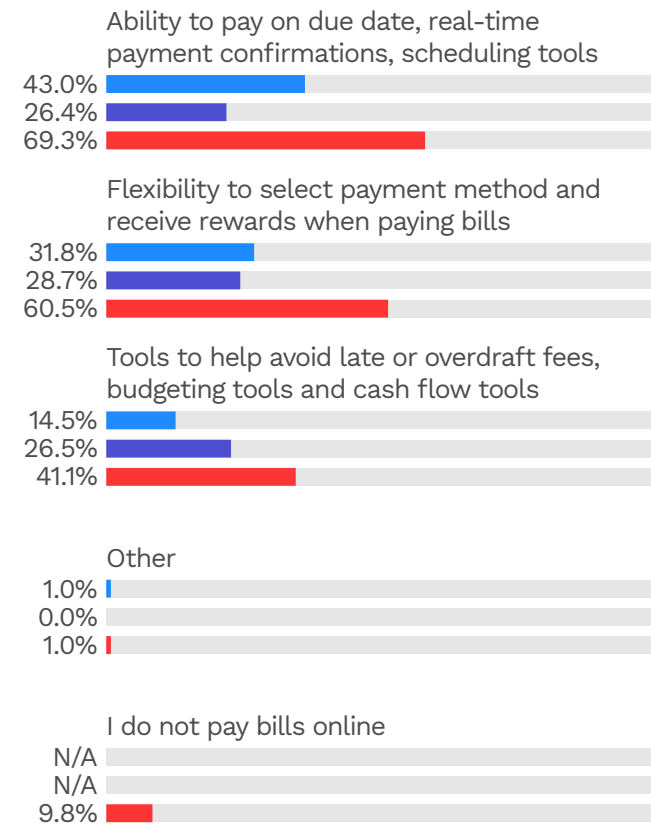
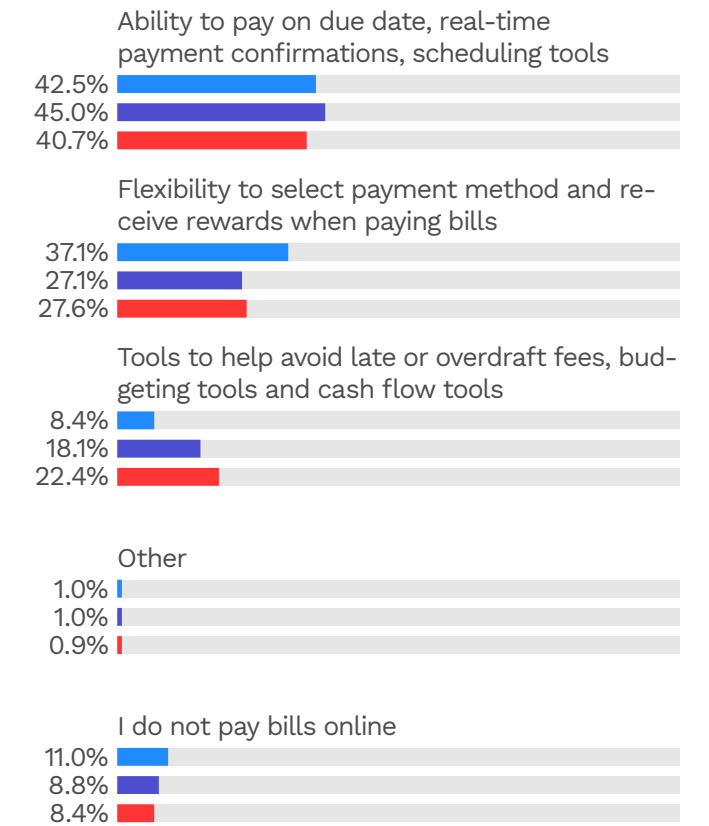


Figure 2B: Most wanted feature, by financial lifestyle



Source: PYMNTS.com

■ Do not live paycheck to paycheck
■ Live paycheck to paycheck without issues paying bills
■ Live paycheck to paycheck with issues paying bills

Consumers who are happy with their current bill-pay options need incentives to switch to a new service.

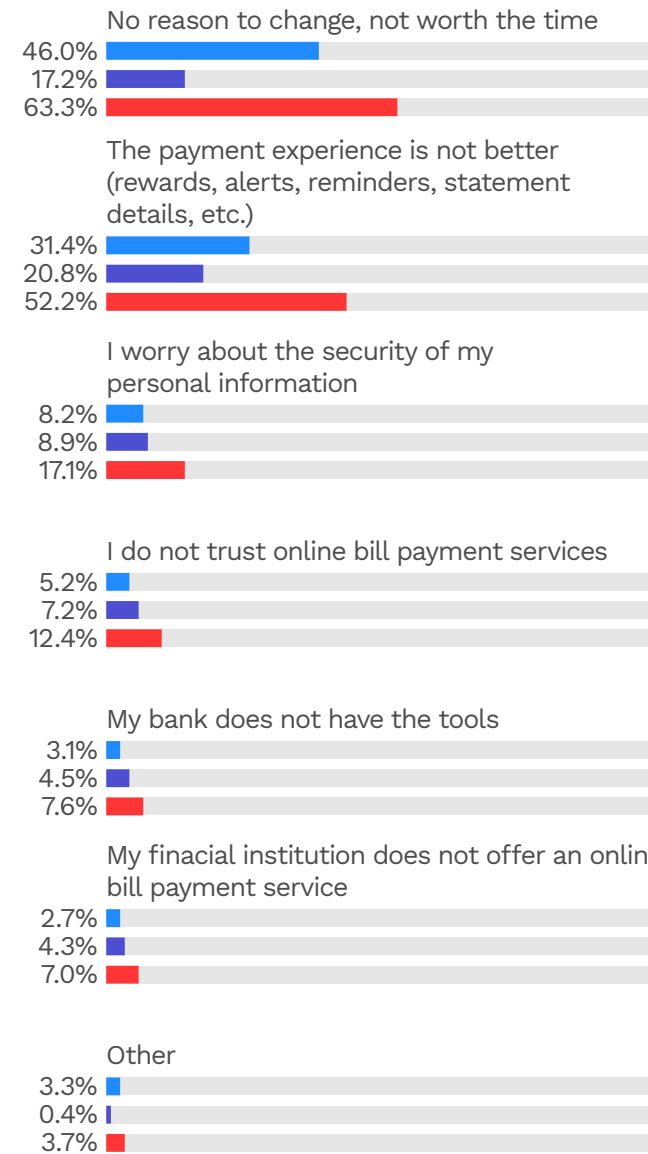
PYMNTS found that 63 percent of consumers who did not use their banks' online bill-pay services to pay all of their bills saw no reason to do so, and 52 percent of this group reported that the payment experience was not better in terms of features such as rewards, alerts, reminders and statement details. That means FIs seeking to engage consumers with new products must be prepared to compete with enterprising FinTechs that integrate rewards and time-saving features with routine banking tasks.

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FIGURE 3:
Why consumers opt against using an online bill-pay service

Reasons respondents cite for not using a bank's online bill-pay service to pay all bills, ranked



Source: PYMNTS.com

■ Most important reason
■ Important, not ranked first
■ Total

63%
OF CONSUMERS WHO DID NOT USE THEIR BANKS' ONLINE BILL-PAY SERVICES TO PAY ALL OF THEIR BILLS **SAW NO REASON TO DO SO.**

Forty-eight percent of consumers are “very” or “extremely” concerned about missing bill payments, and nearly as many are very concerned about the lack of clarity associated with tracking those payments.

Economic uncertainty has had a lasting impact on millions of Americans, and many still struggle to pay their bills. PYMNTS’ research reveals that 24 percent of consumers made a late payment or missed a payment in the last 12 months — a share that is much higher for millennials (40 percent) and bridge millennials (38 percent). Our data also reveals that the fear of missing payments and potentially damaging credit scores is still very much in many consumers’ minds. Forty-eight percent of consumers stated that they are still “very” or “extremely” concerned about making timely or late payments in 2021. This percentage increases substantially among consumers who are under significant financial stress and who describe themselves as living paycheck to paycheck. Forty-four percent of consumers are concerned with tracking time when payments are made, when funds are withdrawn and when payments are credited to accounts.

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FIGURE 4:

Consumer concern when it comes to paying bills

Figure 4A: Share of consumers who are “very” or “extremely” concerned about select items regarding paying bills

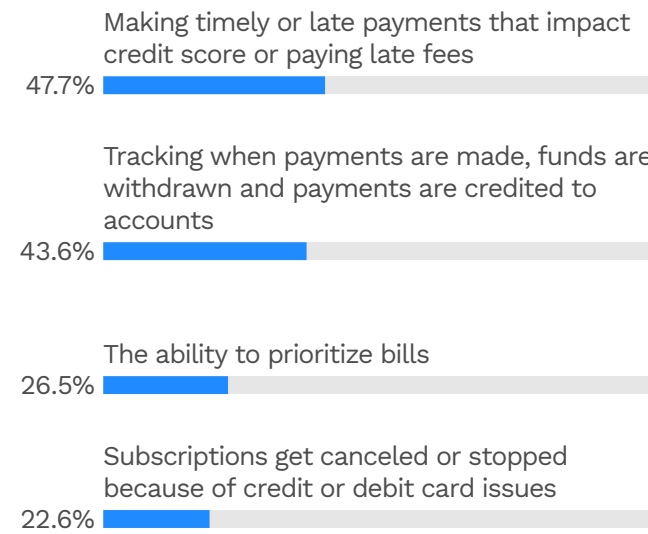
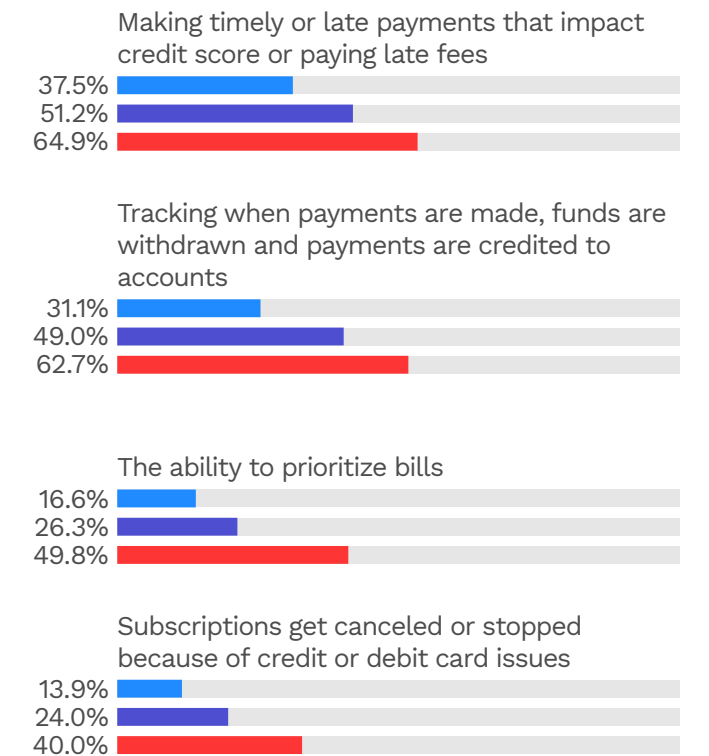
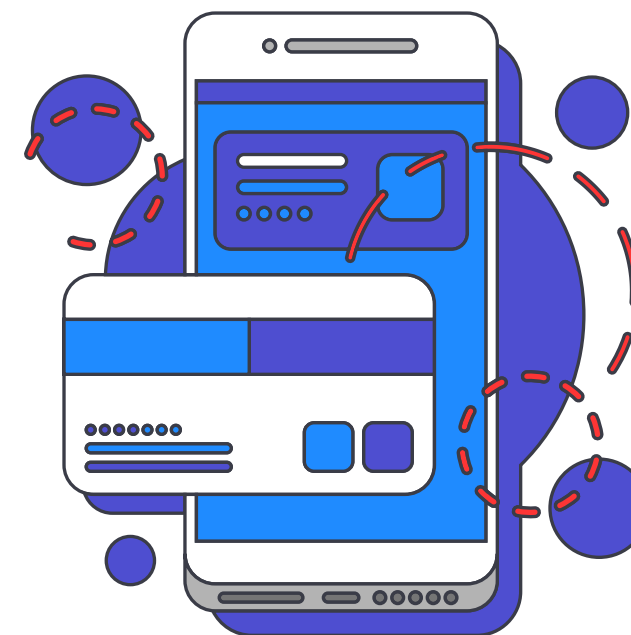


Figure 4B: Share of consumers who are “very” or “extremely” concerned about select items regarding paying bills, by financial lifestyle



Source: PYMNTS.com

- Do not live paycheck to paycheck
- Live paycheck to paycheck without issues paying bills
- Live paycheck to paycheck with issues paying bills



Consumers still rely on debit and credit cards for making subscription payments, but **many fear card-based payments’ potential for data breaches and service interruptions.**

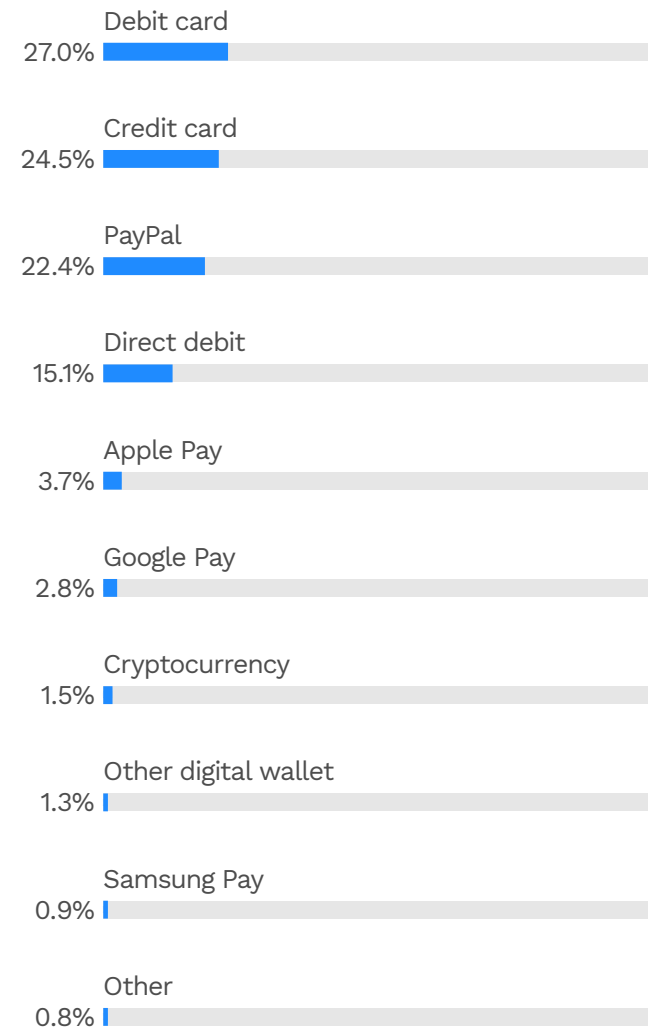
Consumers cite debit and credit cards as most preferred when paying for subscription services, but payment processes and data security risks cause worry. Fifty-eight percent of these card users worry about their cards being exposed in a data breach. Consumers who express worry about their credit or debit cards being compromised experienced data breaches that led to reissued cards an average of 1.5 times in the past 5 years. Twenty-three percent are “very” or “extremely” concerned about subscriptions getting canceled or stopped due to credit or debit card issues. Consumers who are at least “somewhat” concerned about subscriptions getting canceled or stopped due to card issues hold an average of 3.3 subscription services.

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FIGURE 5:
How consumers pay for subscriptions

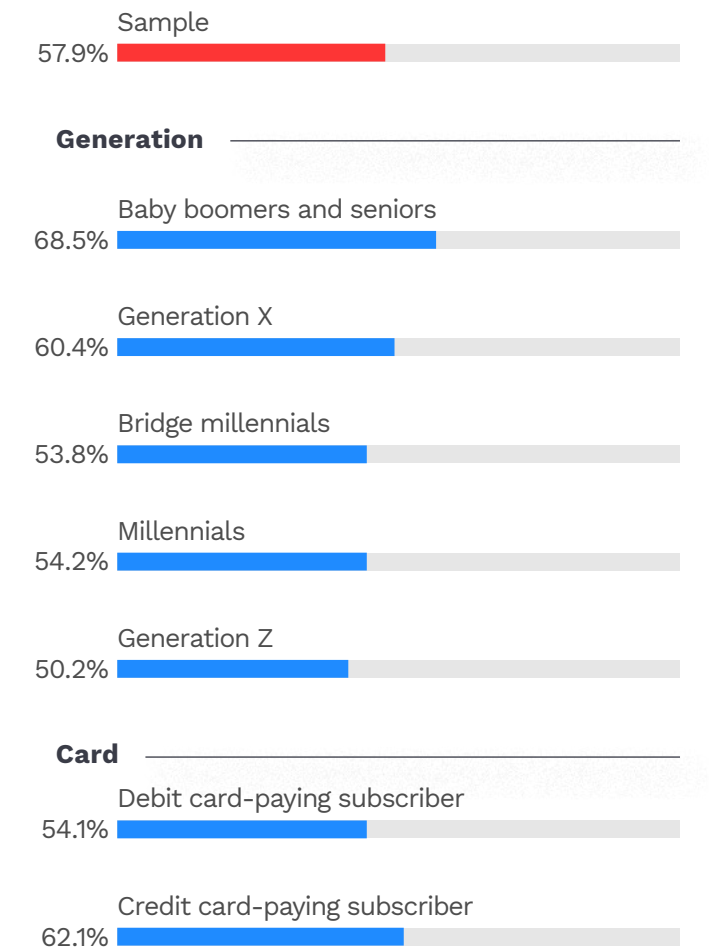
Share of consumers who cite select preferred payment methods for subscription purchases



Source: PYMNTS.com

FIGURE 6:
Data exposure fears

Share of card-paying subscribers who worry about credit or debit card data being exposed in a data breach, by demographic



Source: PYMNTS.com

Nearly one in five consumers are **interested in microloans from their banks as a way to help them bridge the gap between payday and bills' due dates.**

Most would prefer microloans if the fee charged is less than the overdraft fee, the biller's late fee or credit card interest rates.

PYMNTS' research reveals that 17 percent of consumers are "very" or "extremely" interested in using a low-interest microloan to help them pay their bills. This interest rises significantly for consumers with high income volatility (71 percent), those living paycheck to paycheck with issues paying bills (37 percent) and millennials (32 percent).

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FIGURE 7:

Consumer interest in low-interest microloans

Figure 7A: Share of consumers interested in using low-interest microloans to help pay bills

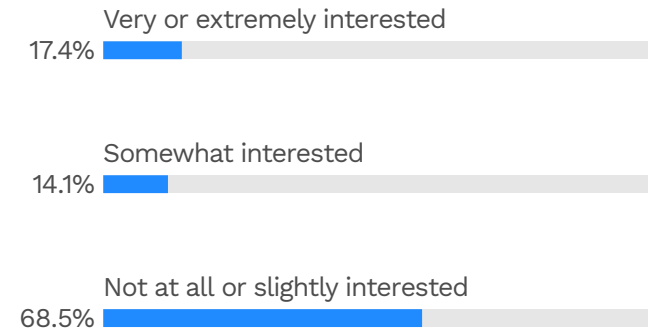
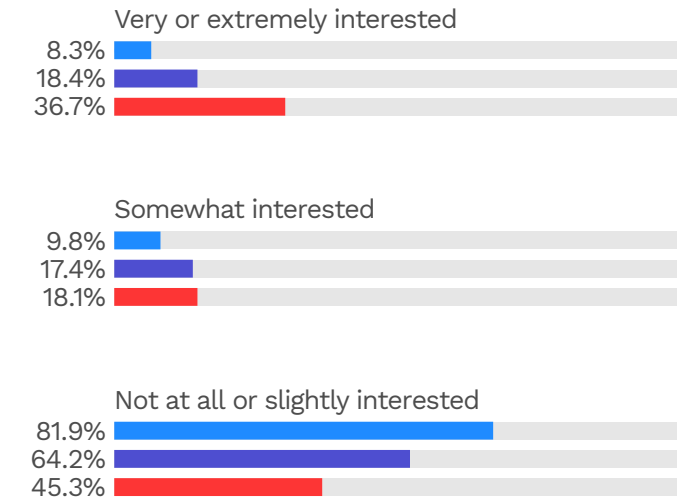


Figure 7B: Share of consumers interested in using low-interest microloans to help pay bills, by financial lifestyle



Source: PYMNTS.com

- Do not live paycheck to paycheck
- Live paycheck to paycheck without issues paying bills
- Live paycheck to paycheck with issues paying bills

Consumers are attracted to microloans as an alternative method of accessing funds to pay bills. Many consumers simply let overdraft fees accrue when cash flows are inconsistent, yet microloans can be viable for those who prefer to avoid adding to a poor payment history. 75 percent of consumers who are already "very" or "extremely" interested in using low-interest microloans to help pay bills are more likely to use a microloan when the fees charged are lower than overdraft and late fees. Consumers also stated that their ability to take out a loan on demand and have immediate access to funds when needed (33 percent) made microloans appealing. The share holding this view is more than twice as large among consumers who are already "very" or "extremely" interested in using low-interest microloans to pay their bills at 70 percent.

FIGURE 8:
Factors increasing consumers' likelihood of using microloans to pay bills

Figure 8A: Share of consumers who said select factors would increase the likelihood of using microloans to pay bills

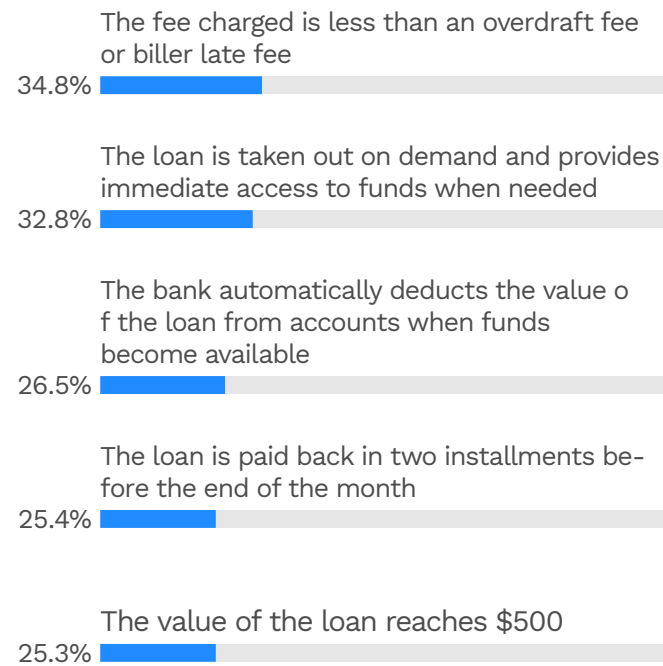
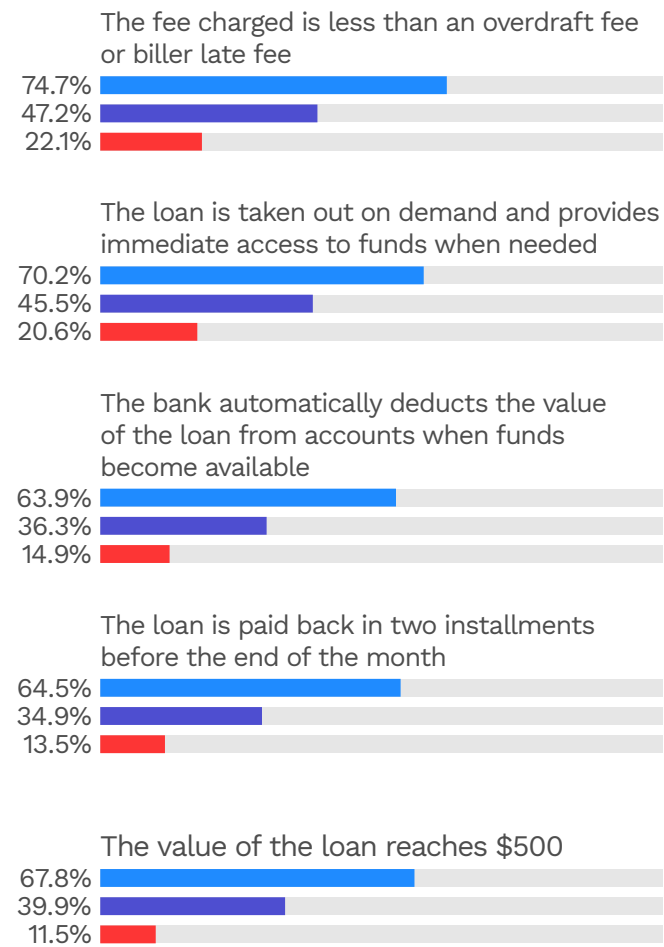


Figure 8B: Share of consumers who said select factors would increase the likelihood of using microloans to pay bills, by level of interest in microloans



Source: PYMNTS.com

■ Very or extremely interested
 ■ Somewhat interested
 ■ Not at all or slightly



DECODING CONSUMER MICROLOAN INTEREST

The risk of late fees or damaging one's credit is, for many consumers, caused by authentic financial pressure — an inability to pay due to a lack of funds rather than lack of willingness. PYMNTS found that just over half of consumers who failed to pay a monthly bill tended to wait until they had enough money to pay and incurred a late fee at least one time in the past 12 months. Another 25 percent of consumers have overdrawn their accounts to pay a bill. That means these financially at-risk consumers are often stuck in a cycle of late payments and sliding credit scores. Microloans can provide these financially at-risk consumers with the ability to make small, on-time payments on their bills, potentially helping them protect their credit while allowing them to cover basic needs and build cash reserves



FIGURE 9:

Late payments management

Figure 9A: Share of consumers who managed late payments in select ways

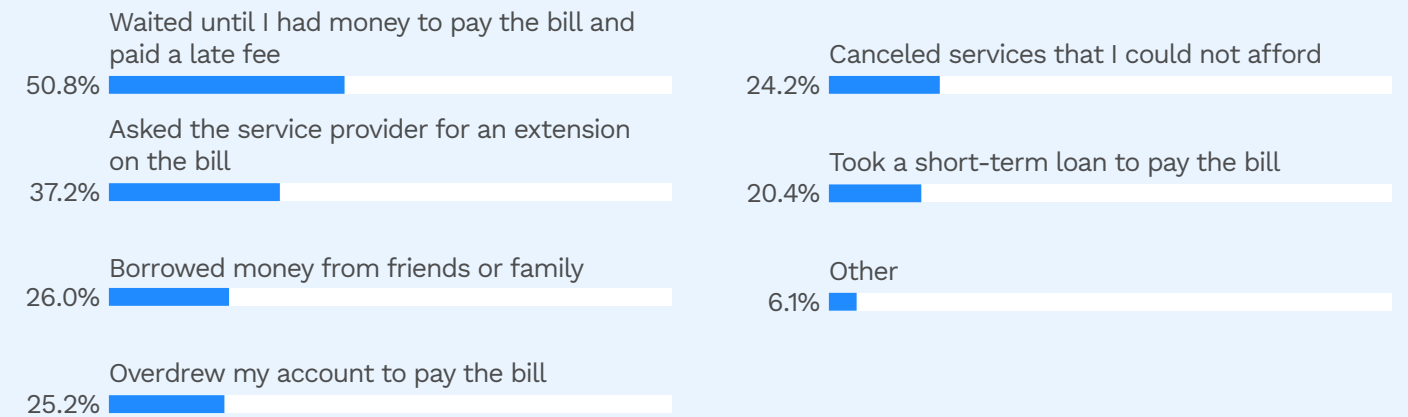


Figure 9B: Share of consumers who managed late payments in select ways, by generation

	Baby boomers and seniors	Generation X	Bridge millennials	Millennials	Generation Z
• Waited until I had money to pay the bill and paid a late fee	46.6%	53.9%	48.8%	52.5%	42.6%
• Asked the service provider for an extension on the bill	28.0%	36.9%	46.2%	41.4%	32.4%
• Borrowed money from friends or family	3.9%	26.1%	27.9%	31.2%	28.9%
• Overdrew my account to pay the bill	10.4%	24.9%	27.0%	30.0%	23.3%
• Canceled services that I could not afford	12.1%	25.5%	27.2%	27.4%	21.7%
• Took a short-term loan to pay the bill	4.2%	19.4%	30.2%	26.3%	17.8%
• Other	21.7%	7.7%	4.3%	2.3%	0.9%

CONCLUSION

As consumer demand for better customer experiences increases, bank competitors, such as FinTechs and financial apps, will likely provide new alternatives to bank-based digital bill-pay options. If consumers continue to look for the right mix of customer experience features and a broad range of payment support, bank-based bill payment services will have to innovate quickly to provide the features and incentives that consumers demand. Most Americans will likely continue to seek more efficient ways of managing their payment experiences and avoiding financial risk when circumstances threaten to interrupt their access to important services.



Methodology

The Flexibility Factor: Mapping Consumer Demand For Bill Payment Innovation, a PYMNTS and BillGO collaboration, is based on the analysis of 2,261 survey responses from adult consumers about their past and current bill payment preferences and behaviors. The census-balanced survey was conducted from July 1 to July 8.

About

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BillGO is a real-time bill management and payments platform that works with financial institutions and consumers to promote financial wellness by simplifying the process of sending and receiving payments.

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