



Faster Payments in Consumer Bill Pay

Qualitative Research Q1 2020 - Industry Insights

June 17, 2020

Antitrust Compliance Statement

The U.S. Faster Payments Council, Inc. (“FPC”) has adopted a policy of strict compliance with the U.S. antitrust laws. Certain topics that may be considered anticompetitive are not proper subjects for discussion or consideration at any FPC meeting of members, officers, directors, or committees, whether formal or informal. The antitrust laws prohibit certain combinations and agreements among competitors, including those in the payments industry, and members of an association may be considered competitors for purposes of antitrust challenges even if their businesses are not in the same geographical areas or in the same product lines. A member’s conduct at all FPC-sponsored or FPC-scheduled meetings and events should comply with antitrust laws. The penalties for violation of the antitrust laws can be very severe – not only for FPC, but also for its individual members.

FPC members cannot come to understandings, make agreements, or otherwise concur on positions or activities that in any way tend to raise, lower, or stabilize prices, costs, or fees, divide up markets, or encourage boycotts. Each member must decide for itself, without consultation with competitors, how to conduct its business and with whom to do business. Specifically, members should not agree on:

- Current or future prices or fees, price or fee changes, discounts, regulation of production, and other terms of sale.
- Allocating or monopolizing geographic markets or customers;
- Encouraging boycotts or seeking to exclude specific participants.

In addition, FPC officers, directors, and members should avoid discussing or revealing any individual participant’s competitively sensitive information, including any participant’s prices, discounts, costs, capacity, inventory, sales, future business plans or bids for contracts. The FPC’s antitrust statement shall be referenced at the start of each meeting where FPC business will be discussed and noted in the minutes of the meeting, and this statement will be included in the meeting materials as well.

The antitrust laws are complicated and often unclear. If any member is concerned that he or she may be in a “gray area,” that member should consult with FPC or legal counsel. If the conversation among competitors at an FPC meeting turns to antitrust-sensitive issues, participants should discontinue the conversation until legal advice is obtained, or else leave the meeting immediately.



Payments Consulting

Research

Education

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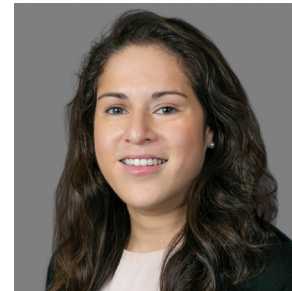
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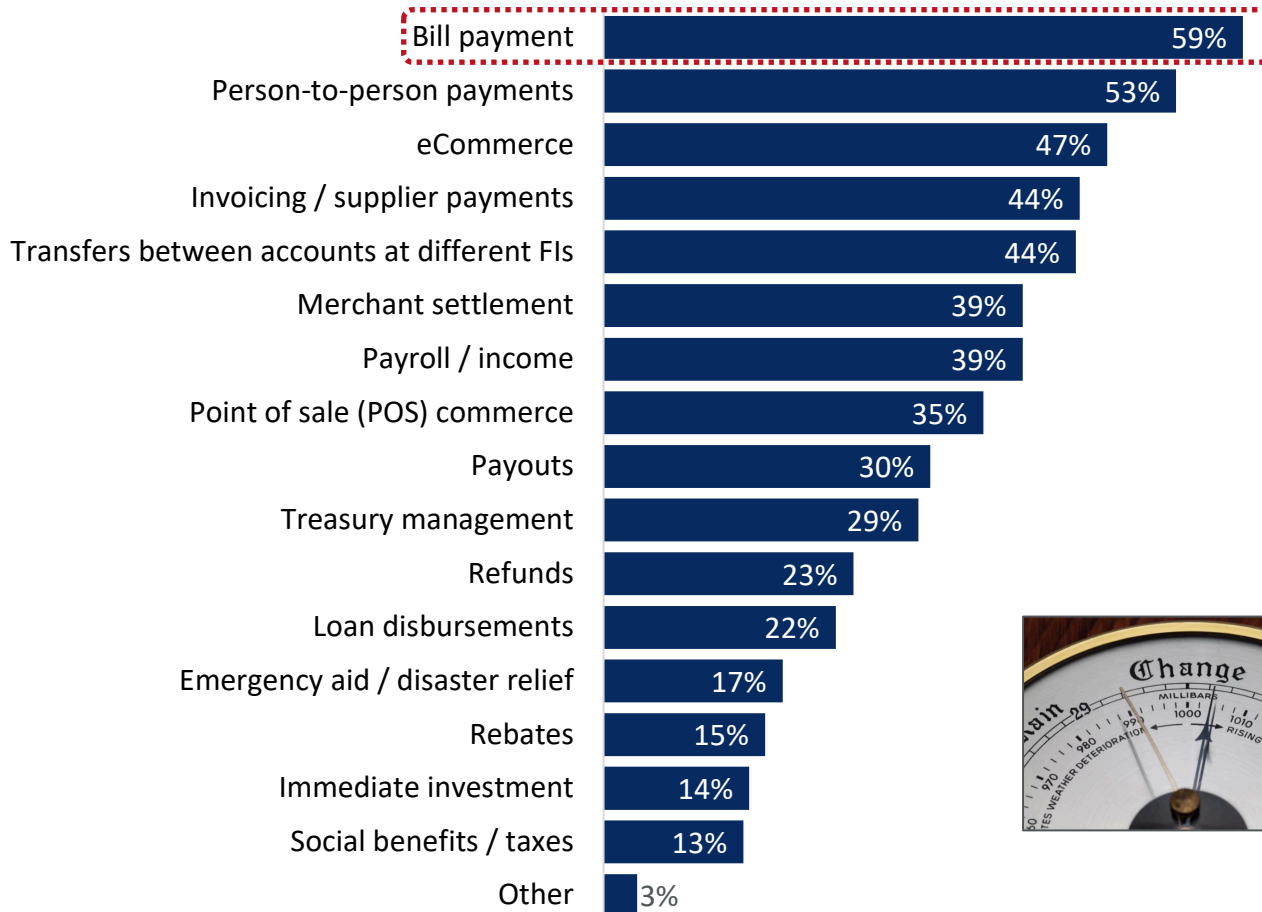
Glenbrook Partners and the U.S. Faster Payments Council

- A three-year, multi-faceted thought leadership program
- Designed to monitor and highlight issues surrounding the move to instant, real-time, faster payments in the U.S.
- The U.S. Faster Payments Barometer is a longitudinal (quantitative) survey that will measure attitudes, concerns and trends from all payments industry professionals
- Qualitative work will draw from the Barometer findings to gauge key issues for further analysis
- Qualitative research, in the form of in-depth interviews, then explores those issues from a variety of stakeholder perspectives
- Research schedule:

Quantitative / Barometer	Qualitative / Interviews
September - November 2019, 2020, 2021	February - May 2020, 2021, 2022

Bill Payment is Viewed as the Top Use Case for Faster Payments

Use case driven implementation is crucial to spur adoption



Findings previously presented at the FPC Member Meeting October 2019

Question: For which use cases is your organization currently most interested in leveraging faster payments? Select all that apply.

About the Qualitative Research

Glenbrook conducted twenty in-depth executive interviews during Q1 2020

- Faster payments in consumer bill pay
- The use case and where / when “faster” makes sense
- Bill pay trends, industry readiness and barriers to adoption
- Executives interviewed are payments professionals who:
 - Currently manage bill pay
 - Are developing faster payments for bill pay
 - Have deep expertise in bill pay and faster payments
- Executives represented:
 - Financial institutions
 - Providers (networks, processors, platforms)
 - Large billers

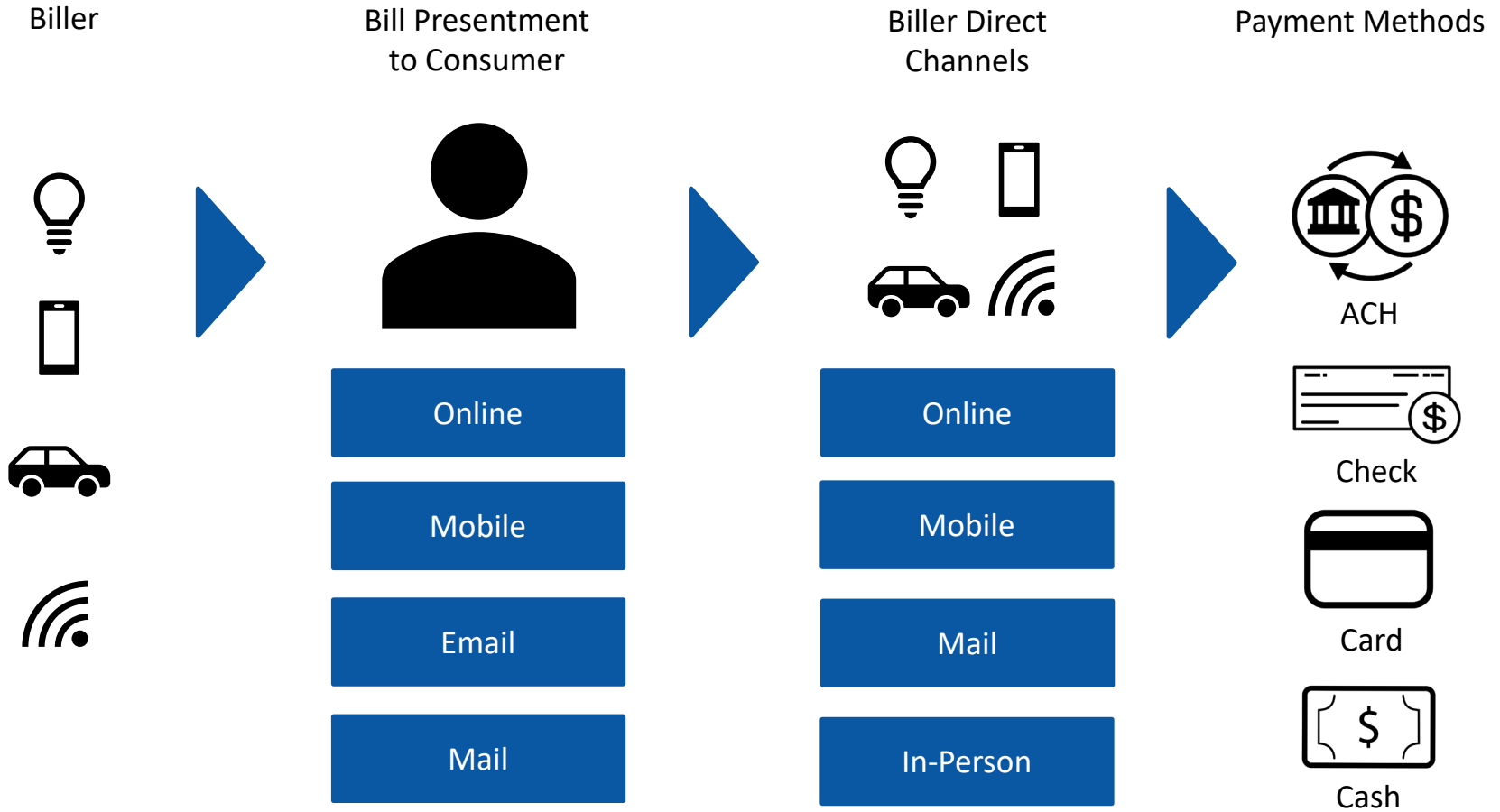
Agenda

- Consumer Bill Pay Today
- Insights and Observations
 - Why is the Consumer Bill Pay an Important Use Case?
 - Request for Payment and How it Can Transform Bank Bill Pay
 - Barriers to Industry Adoption of Faster Payments in Consumer Bill Pay
- Q&A

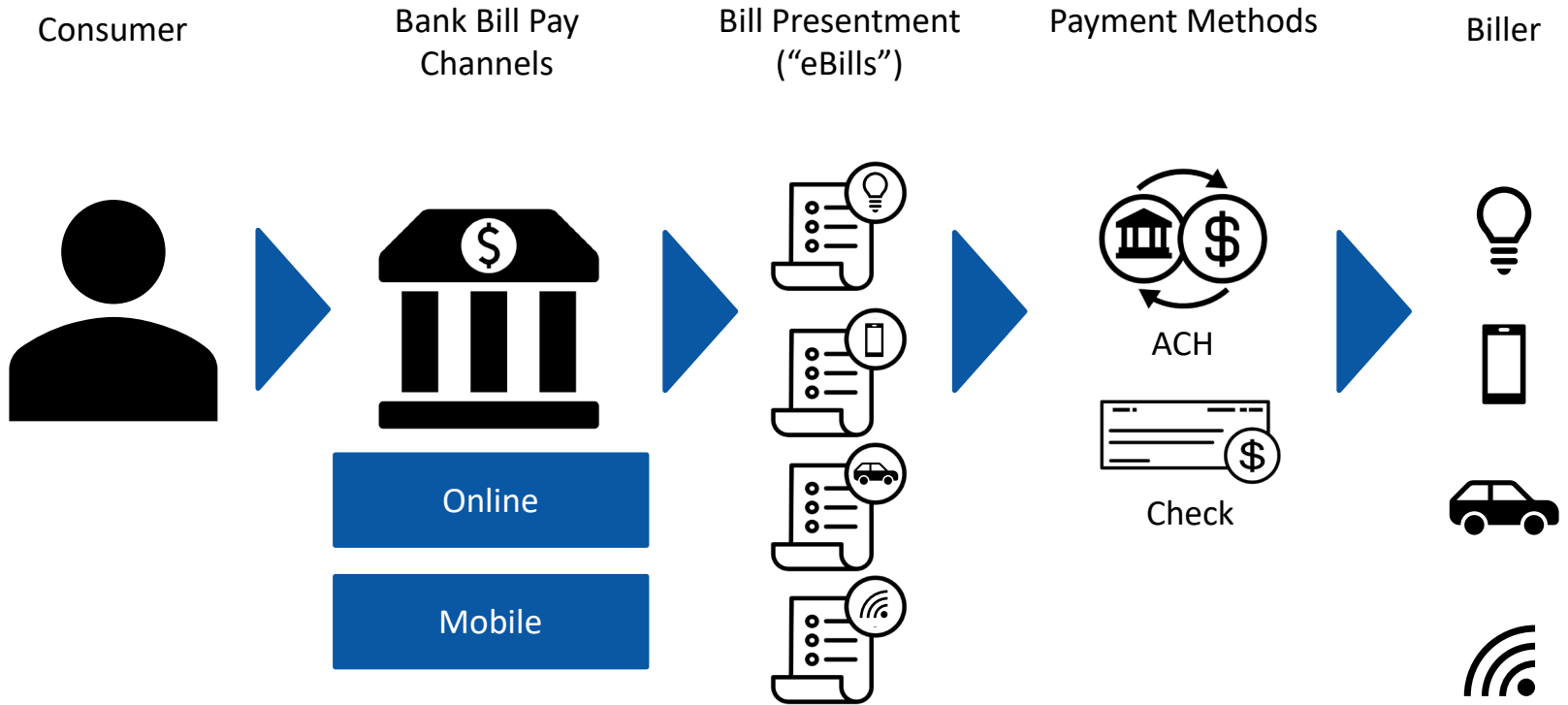
Consumer Bill Pay Today

- Biller Direct
- Bank Bill Pay

Biller Direct Model



Bank Bill Pay Model



Wells Fargo Example: Bank Bill Pay Model

Bill Pay [Add Payee](#) | [Profile](#) | [Help](#)

Payees | Scheduled | History

Search payees View: Payees

Payee Last payment 1 Payments due Amount Send on

☰ CHECKING... [REDACTED] Available balance: [REDACTED]

Payee	Last payment	Amount	Send on	Options
PACIFIC GAS & ELECTRIC - PG&E [REDACTED] <small>eBill ✓</small>	\$156.19 on 5/11/20	1 \$119.76 Due on 6/11/20	<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/>
AMERICAN EXPRESS BLUE CASH [REDACTED] <small>eBill ✓</small>	[REDACTED] on 12/20/19	<input type="text"/>	<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/>
CAPITAL ONE QUICKSILVER [REDACTED]	[REDACTED] on 5/11/20	<input type="text"/>	<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/>
CHASE SAPPHIRE RESERVE [REDACTED]	[REDACTED] on 5/18/20	<input type="text"/>	<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/>
CHASE UNLIMITED FREEDOM [REDACTED]	[REDACTED] on 5/18/20	<input type="text"/>	<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/>
COMCAST CABLE COMMUNICATIONS -16 [REDACTED] <small>eBill Pending activation</small>	[REDACTED] on 5/11/20	<input type="text"/>	<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/>
KENNETH LEE [REDACTED]	[REDACTED] on 5/27/20	<input type="text"/>	<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/>
SFPUC - WATER DEPARTMENT [REDACTED] <small>eBill ✓</small>	[REDACTED] on 4/15/20	<input type="text"/>	<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/>
SUNSET SCAVENGER COMPANY [REDACTED] <small>eBill ✓</small>	[REDACTED] on 4/13/20	<input type="text"/>	<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/>
WELLS FARGO CREDIT [REDACTED] <small>eBill ✓</small>	[REDACTED] on 3/9/20	<input type="text"/>	<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/>

PG&E supports eBills and electronic payments

Chase does not support eBills but does support electronic payments

Kenneth Lee (landlord) does not support eBills or electronic payments

POLL: How do you pay your bills today?

1. Exclusively bank bill pay
2. Mostly bank bill pay, but sometimes biller direct
3. Mostly biller direct, but sometimes bank bill pay
4. Exclusively biller direct

Insights and Observations

- Why is the Consumer Bill Pay an Important Use Case?
- Request for Payment and How it Can Transform Bank Bill Pay
- Barriers to Adoption of Faster Payments in Consumer Bill Pay
- Concluding Thoughts

Why is the Consumer Bill Pay an Important Use Case?

The introduction of faster payments into the bill pay equation is viewed as a net positive

- **The bank bill pay model is ripe for innovation**
 - Acknowledgement that the existing legacy model was dated and less than optimal
 - Some FIs were motivated to “take back ownership of the bill pay experience”
- **Consumers want a modern, seamless user experience**
 - Consumers who make “just in time” payments
 - “A one-stop-shop to see all bills in one place, see all the detail, pay in many different ways”
- **Billers have unaddressed payment challenges**
 - ~20% of consumer customers do not use biller direct
 - Creating manual and exception processes

Faster payments allow FIs to provide consumers with a transparent bill pay experience and billers with improved reconciliation

Request for Payment and How it Can Transform Bank Bill Pay

Real-time messaging and data sharing are inherent attributes of faster payment systems

- **An enhanced customer bill pay experience**
 - “Request for Payment is a good way to present multiple bills in one place and pay them all in one go”
 - Detailed messaging before, during, and after payment provides the transparency consumers are accustomed to with digital payments
- **Significant benefits to FIs**
 - Modernized digital bank bill pay environment
 - Enhanced customer value proposition
- **Greater efficiency to billers**
 - Relieves some of the burden associated with reconciliation and paper checks
 - Potential to lower overall payment costs

Request for Payment extends the benefit of faster payments beyond speed

Barriers to Adoption of Faster Payments in Consumer Bill Pay

Realizing the vision of a transformed bank bill payment experience has challenges

- **The faster payments ecosystem is highly fragmented**
 - Multiple directories co-exist but do not inter-operate (faster and bill payment ecosystems)
 - Interviewees cited lack of rules and standards (not just about a single payment rail, but how it all comes together at the industry level) and therefore hesitant to commit to one solution
- **The business case for billers is weak[er]**
 - Large billers enjoy ~80% of consumers paying bills directly via the biller direct model
 - Lack of direct customer engagement in the bank bill pay model
- **Faster payments in bill pay requires a fundamental shift in consumer behavior**
 - Consumers enjoy the convenience and rewards associated with card-based transactions
 - Providers are uncertain about incentives required to drive consumers to a different mode of bill payment

The reality of implementation involves a complex set of decisions by multiple stakeholders

Concluding Thoughts

- There are two predominant consumer bill pay models in market
- RfP presents an opportunity to bring the best of both models together
- RfP can therefore be an important step for broader industry adoption
- Financial institutions are an important channel to drive consumer use of faster bill pay
- The biller needs to be an important stakeholder in realizing the potential of faster bill pay
- Fragmentation remains a concern
- Collaboration is critical to accelerate stakeholder adoption



Q&A

About Glenbrook

Payments Consulting Firm focused on Strategy Research and Education

- Global reach
- End-user perspective
- Media properties:
 - PaymentsNews.com
 - PaymentsViews.com
 - Payments on Fire®
 - Payments Systems in the U.S. 3rd Edition (2019)
 - Global Payments Systems 1st Edition (later this year)
- Industry programs:
 - Payments Boot Camp®
 - Insight Workshops
 - Webinars
 - MPR® and MPR Europe®



Payments Consulting

Research

Education

Thank You

Mark your calendars and please join us for our next FPC event

Date	Format	Topic
September 15-16	Virtual Meeting	FPC Fall Member Meeting

A recording of today's webinar will be available in our FPC Member Portal and a survey about today's event will be distributed this week.

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