Faster Payments in Consumer Bill Pay

Qualitative Research Q1 2020 - Industry Insights

June 17, 2020
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- 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.

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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.
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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:

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<tr>
<th>Quantitative / Barometer</th>
<th>Qualitative / Interviews</th>
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Key Findings from the Faster Payments Barometer

700+ responses to the inaugural Fall 2019 survey

• “One size fits all” solution not likely to satisfy varied use cases for end-users

• A few key issues lack alignment and requires industry attention
  - Optimal directory / addressing model
  - Key features such as rich data and request for payment

• Major call-to-action for the industry “writ large” to enable interoperability, sooner rather than later

Please note that the word cloud was generated from respondent write-ins across all survey questions.
Bill Payment is Viewed as the Top Use Case for Faster Payments

Use case driven implementation is crucial to spur adoption

- Bill payment: 59%
- Person-to-person payments: 53%
- eCommerce: 47%
- Invoicing / supplier payments: 44%
- Transfers between accounts at different FIs: 44%
- Merchant settlement: 39%
- Payroll / income: 39%
- Point of sale (POS) commerce: 35%
- Payouts: 30%
- Treasury management: 29%
- Refunds: 23%
- Loan disbursements: 22%
- Emergency aid / disaster relief: 17%
- Rebates: 15%
- Immediate investment: 14%
- Social benefits / taxes: 13%
- Other: 3%

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

• Fasters 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
Bank Bill Pay Model

Consumer → Bank Bill Pay Channels → Bill Presentment ("eBills") → Payment Methods → Biller

Channels: Online, Mobile

Payment Methods: ACH, Check

Consumer biller interaction flowchart.
Wells Fargo Example: Bank Bill Pay Model

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®
  - Global Payments Systems 1st Edition (later this year)

• Industry programs:
  - Payments Boot Camp®
  - Insight Workshops
  - Webinars
  - MPR® and MPR Europe®
Thank You

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

<table>
<thead>
<tr>
<th>Date</th>
<th>Format</th>
<th>Topic</th>
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<tbody>
<tr>
<td>September 15-16</td>
<td>Virtual Meeting</td>
<td>FPC Fall Member Meeting</td>
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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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