



How banks can simplify digital payments

One dashboard to rule them all

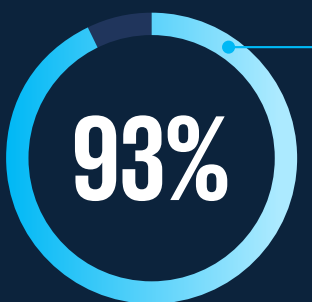


Introduction

Paying bills online through a bank website is no longer a convenience that US customers take for granted...it seems they've largely forgotten about it altogether.

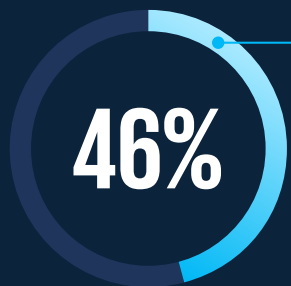
Of all the phone, internet, utility, and credit card bills customers paid last year, more than 60 percent were paid online,¹ but a shrinking percentage of those payments were made via a centralized trusted customer or retail bank bill payment platform.

Customers may say they would prefer to use their bank's website or mobile app to centralize their bill payments but their actions suggest otherwise. In our recent "How You Pay" survey of customers, 93 percent of respondents told us they would prefer to see all of their bills in one central location, and 83 percent selected their bank as the most trustworthy provider



Prefer to see all of their bills in one central location

to render a centralized bill payment experience. However only 46 percent of respondents reported that they have ever used their bank's digital bill pay feature, and a quarter of them weren't aware their bank offered this feature.



Reported that they have ever used their bank's digital bill pay feature

In this KPMG blog we look at what obstacles may impede customers' adoption of centralized bank online and mobile bill payment services and examine ways that banks can improve their online offerings to meet customer needs and transform a missed opportunity into a big win.

This blog only provides a high-level summary of a more detailed document—to learn more about our perspective, please request the longer paper from us at the end of this blog.

¹ David Albertazzi, "How Americans Pay Their Bills: Sizing Bill Pay Channels and Methods, 2023 Edition," Datos Insights, October 11, 2023

Digital fragmentation is a barrier to centralized payment

The ability to pay bills online has undoubtedly made managing finances and paying bills more efficient and secure. Convenience features such as using simple automation to handle recurring payments have helped wean customers off of writing and mailing physical checks, which save them time and largely eliminates the likelihood of incurring past-due fees and interest charges. But many customers currently use individual biller sites over their bank's websites for payments—the use of online payments made on biller websites has increased 15 percent (climbing from 62 percent in 2010 to 77 percent in 2023), while bank bill pay adoption declined 17 percent (from 38 percent to 21 percent) in the same time period.²

When we examined customers' adoption rates and preferences for digital billing and payment products in our recent survey, the findings revealed some ambiguity in customers' attitudes. Most customers favored the idea of paying their bills from a single, trusted, and centralized location; however, 81 percent of respondents most frequently pay their bills directly on their billers' websites. So, what's stopping them from crossing over the threshold?



Making digital payments from an individual biller's website is still more convenient for customers than writing checks by hand, but it's only an incremental improvement—customers essentially trade in one tedious manual process for a slightly less tedious digital version.

Customers still have to manage multiple biller accounts, each one with multiple digital access points, and navigate different channels to access bill and payment notifications. All of this with the added frustration of managing inconsistent data and security across so many different platforms.

Customers who opt to pay bills via individual biller websites often find

themselves navigating a rush of texts and emails about due payments. These reminders can easily get lost in the sheer volume of digital information we are bombarded with daily. The confirmation of payments across multiple platforms can be tiresome if not complicated, and it seems there are always additional passwords and account numbers to remember. Similarly, whenever a customer's physical or email address changes, they have to update their profile settings for each biller. And fraudsters have ripe opportunity to attack the various information inputs to the customers digitally to confuse and socially engineer customers to negative situations.

² Ibid

Seize the missed opportunity by boosting digital banking awareness

Our survey clearly shows a disconnect between the customers' stated preference to pay bills from a centralized bank website and their actual actions for using individual biller sites. The vast majority of survey respondents told us that banks are the most trustworthy provider to deliver a centralized bill payment experience, which makes sense as banks are regulated and held accountable to high standards, yet most of those same respondents continue to not complete their own bill payment process on a bank website or mobile app. Worse, some users don't even know digital banks provide this service. This suggests either bad user experience or a lack of awareness that there's already a better way.

Centralized digital bill paying services represent a huge opportunity for banks to help their customers with their financial lives—Americans spent \$5.6 trillion on 16.8 billion bills over the past year.³ To help this reluctant customer group, retail banks will need to reassess their platforms, modify them based on what current

customers prefer, add enhanced features for the users, and make customers aware of the practical and visceral benefits of simplifying their financial lives through a centralized bill payment experience.

The core bill payment features many banks already offer could alleviate many customer concerns related to using one-off bill payment solutions. They provide an online platform to pay all bills, with increased security and standard preferences for information such as due date reminders and outstanding balance notifications. But banks can also take a few more key steps to convincingly win customers over.

Digital banks might contemplate discarding these services, but such a decision is fraught with strategic risks. These threats stem not only stem from stand-alone biller apps or websites but also extend to a multitude of emerging digital platforms envisioned to streamline future bill payments.

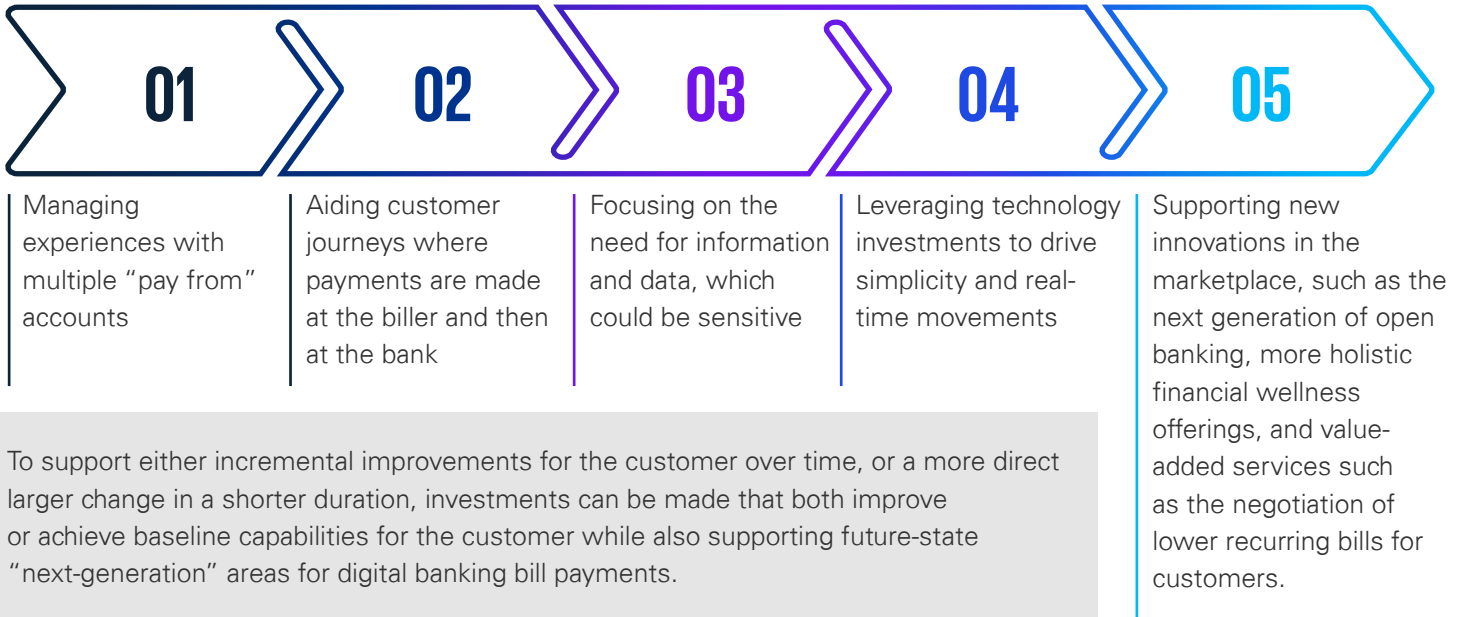


Unless banks take strategic actions to reverse this trend by increasing awareness, making their platforms more user-friendly, or offering benefits for payments made through their platforms, the percentage is likely to continue decreasing.

³ Ibid

Next steps

KPMG has summarized a list of key opportunity areas within the targeted areas of customer experience, privacy and trust, payment transparency, and product innovations that can be implemented over time to help your banking customers. Examples include:



To support either incremental improvements for the customer over time, or a more direct larger change in a shorter duration, investments can be made that both improve or achieve baseline capabilities for the customer while also supporting future-state “next-generation” areas for digital banking bill payments.

An example of one specific area may be

Simplified experiences

Baseline opportunity

Refresh or update the ability of a customer to receive bills, bill alerts, make real-time payments, and schedule payments via their device-centric user interface.*

Next-generation opportunity

Provide a central dashboard and “landing zone” to show past, present, and future bills, allow the customer to prioritize payments and plan for when and how payments should be made (e.g., smart routing) in relation to their average balance forecast per month.

* Some banks may have already adopted a “baseline opportunity” but have not paid much attention or invested much in it for the last 10 years. In other cases, a bank may not have used the “baseline opportunity” and could skip ahead to the “next-generation opportunity.”

We believe digital banks must rise to the challenge of delivering a one-stop, streamlined, and secure digital bill-payment platforms that caters to diverse customer needs while maintaining efficiency and strong ties with billers. To boost adoption and use, banks must prioritize a simplified digital experience, enabling customers to effortlessly manage their bill payments and personal finances online.

How KPMG can help

To succeed in today's market, banks must reimagine the products, services, and experiences they provide to customers and migrate to truly customer-centric business processes enabled by digital transformation. KPMG can help you transform the way your front office engages customers. By combining business experience with functional acumen, we provide you with deep financial analysis, robust customer insight, market intelligence, and strategic business direction to help you generate return on investment from your investments in customer centricity.

Digital banks and nonbanks can use our assessment, digital product management, technology design, and deployment acceleration frameworks to modify and enhance their bill-payment platforms. Our team members can help with quick wins and long-term customer-focused innovative solutions.

Our dedicated team provides digital banks, financial institutions, and nonbanks dedicated support to aid your business and technology challenges. For specific needs, including the KPMG #Hotlist of backlog and future state opportunities for digital bill payment, don't hesitate to contact any of our leads for a follow-up conversation.



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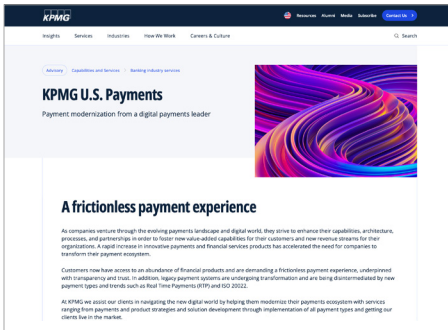
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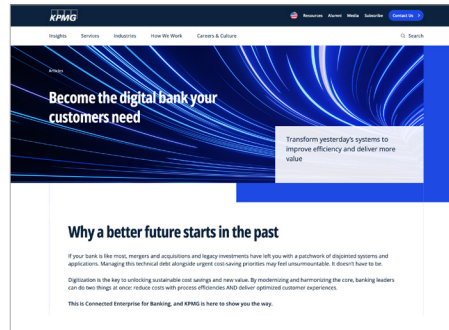
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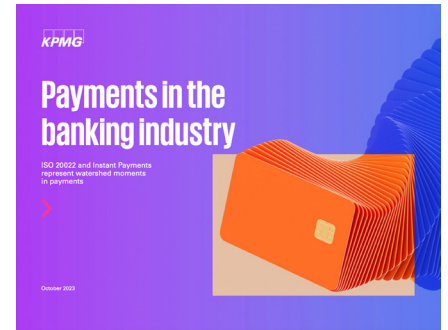
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