



2021 ANNUAL REPORT:

Billing and Payment Trends and Behaviors



FOREWORD:

A Generational Look at Our Annual Report

Having carefully analyzed trends in the ACI Speedpay® Pulse reports over the past several years, we've observed digital adoption transition from being "on the rise" to being on the verge of surging. As consumers continued to socially distance through the first half of the year, so too did their payments, with the pandemic further accelerating the digital shift that was already upon us. To no surprise, we've now found ourselves at another key inflection point where digital adoption is now in full swing. And as the world turns a corner and we begin to redefine our new normal, today's economic climate is being dictated by consumer preferences that came to light during the pandemic, but are now here to stay.

To provide billers with a better understanding of where and how their customers want to receive and pay their bills, we took a deep dive into the most recent findings from the ACI Speedpay Pulse and uncovered data that shines a light on the differences across **generations**.

As the needs and wants of consumers differ from generation to generation, this report serves as a guide for billers to better understand these generational nuances so they can tailor their messages accordingly to resonate with their customers across all age groups.

Considering preferences and behaviors vary across generations, there may not be a one-size-fits-all option, but the opportunity for billers is clear — they must provide the options their customers have come to expect while also educating them about the benefits of the latest and greatest digital payment options.

Defining Generations:

Gen Z:

Respondents aged 18-24 in 2021. This range only reflects a partial segment of Gen Z-aged consumers.

Millennials:

Respondents aged 25-40 in 2021.

Gen X:

Respondents aged 41-56 in 2021.

Boomers+:

Respondents aged 57-80 in 2021. This age range reflects the full Baby Boomer generation and a smaller portion of the Silent Generation.



Sanjay Gupta
Executive Vice President
Head of Biller Segment



2021 Pulse Points

- 1 By analyzing the types of bills consumers are paying, we get an inside look into overarching consumer behavior in recent months.

For instance, on average U.S. consumers pay 9.3 bills per month, and the volume of monthly bills that consumers are paying reflects the stay-at-home lifestyle that they were forced to adopt throughout the pandemic. **There's been a rise in subscription services, with consumers more likely now than in 2020 to pay for four or more.**

Utility and telco and cable bills continue to make up the largest portion of all U.S. bills paid monthly (43%). As workplaces and schools adapt to hybrid models of in-person and at-home activities, electricity, internet and cable remain essential services to consumers. These bills have become more important in 2021 than in 2020, each showing an increased importance ranging from 1% to 3%. At the same time, there is an uptick in home security and improvement bills, which are more common in 2021 compared to 2020, an indication of people wanting to improve the spaces where they spent the most time these days. As the world reopens and consumers spend less time at home, it's likely we'll see a drop in home improvement bills, but a steady increase in home security expenses.

Consumers are more likely to pay for **4 or more** subscription services than they were in 2020

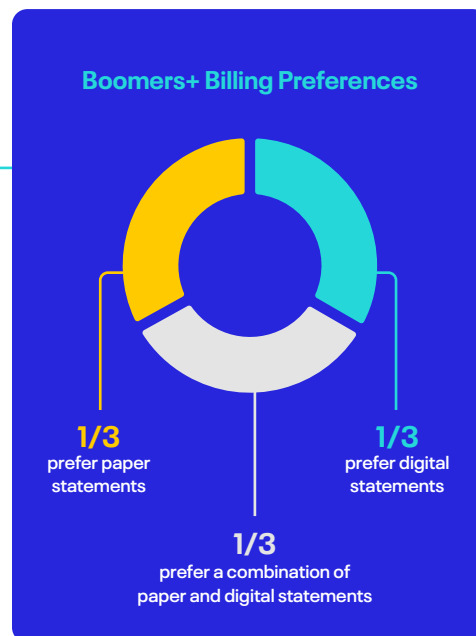


2021 Pulse Points

2 As the shift to digital continues, Boomers+ hold onto paper more than any other generation.

Overall, more than 3 in 4 consumers prefer at least one digital billing statement, as compared to nearly 25% who prefer solely paper statements. **Yet Boomers+ are uniquely split in their preferences** — one-third each reports they prefer digital statements, paper statements or a combination, respectively, making this age group the prime opportunity for billers to educate about the switch to digital. The preference for paper doesn't just apply to billing statements, as evidenced by the 44% of Boomers+ who still pay through the mail and the 38.8% of Boomers+ still using traditional paper checks, generally because they feel it's the simplest option as well as the option they're most familiar with. Despite the amount of paper Boomers+ use relative to other generations, their preferences lean digital. While direct checking account deduction/ACH is the most preferred method for one-time bill pay (35.3%) over other digital methods such as cards, biller's website is the most preferred channel for one-time bill pay (35.9%). Boomers+ are also more likely than younger consumers to pay monthly bills through a bank's website (46.9%).

Perhaps slower to "learn new tricks," older consumers are generally sticking with the option they know how to navigate best, which indicates billers have an opportunity to inform customers about the digital payment options available to them, and better communicate the benefits of those options — especially given these consumers' rising preference for digital channels, methods and statements. For instance, 63% of Boomers+ prefer paper statements because they work as a reminder to pay their bills — are they aware that digital statements let them set up and customize when and how they are reminded? As Boomers+ age, their penchant for paper trails will have a direct impact on caretakers tasked with helping them manage their finances. With aging consumers and caretakers in mind, there could be an opportunity for billers to take a different messaging approach when trying to persuade this group to make the switch to digital.



2021 Pulse Points

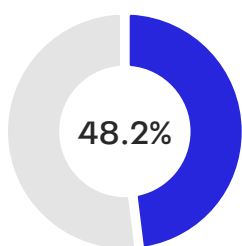
3 Providing a mobile wallet as a method of payment is non-negotiable.

The data shows 7.4% of consumers have used a mobile wallet in the last 12 months to pay a monthly bill, and while this is just a slight increase from last year, our research indicates a rapidly growing interest in this technology in general — and billers must take note.

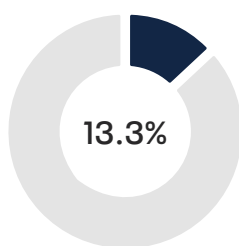
While younger generations prefer mobile wallets such as Venmo for peer-to-peer payments, Boomers+ are more likely to prefer retail mobile wallets, which indicates a willingness among this older generation to adopt mobile wallet technology. This preference among Boomers+ could be attributed to retailers offering additional perks to consumers for using their mobile wallet and/or app when shopping, so it will be up to billers to determine how to best convey the customer benefits mobile wallets provide in order to encourage older generations to adopt them for bill pay.



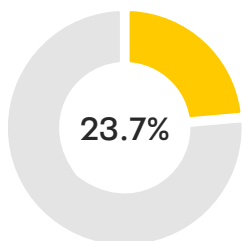
Overall use of mobile wallets by generation:



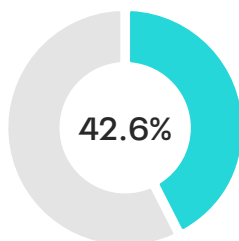
Gen Z



Boomers+



Gen X



Millennials





Driving Consumer Adoption Through Digital Channels

Here, we discuss consumer preference and behavior about payment “channels.” Payment channels are the ways a payment can be delivered/received. Think of payment channels as how consumers get their payment to a biller, such as in person, by mail, through a phone call, through a website, through a mobile app, etc.

Gen Z Driven by Real-Time Peace of Mind

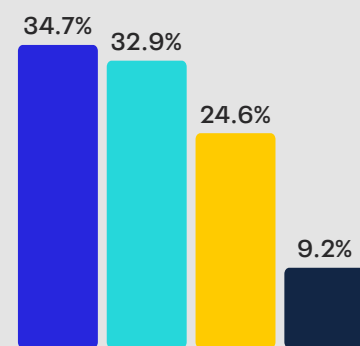
While in-person payments did not fully disappear despite stay-at-home guidelines, in-person payments at a biller’s office or location have declined significantly since 2020. The decrease may be attributed to pandemic-related closures and social distancing guidelines, as well as the older generation’s potential lack of access to transportation. Perhaps most surprising, though, is that despite being inextricably tied to all things digital convenience, Gen Z represents the largest age group that reported a preference for making one-time bill payments in person (19.6%). Of those who prefer making a one-time bill payment in person, the majority cites peace of mind, having a receipt confirmation in hand and security as key factors for their preference. This demonstrates that the educational gap regarding digital payment options does not just apply to older consumers who didn’t grow up in the digital age, but also to digital natives.

THE TAKEAWAY

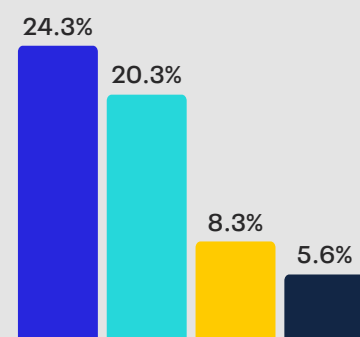
As the U.S. gears up for widespread real-time payments adoption, billers should view this nuance as an opportunity to get a head start on identifying how best to communicate that real-time payments can provide these same benefits — such as speed of payment clearance and instant confirmation (gratification) that the payment was received successfully — but in a digital way.



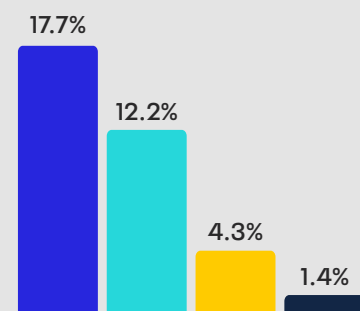
Percentage of consumers that use each channel to make a one-time payment by generation:



Biller's Mobile App



Bank's Mobile App



Mobile Wallet

Leather Wallets Are Out, Mobile Is In

As physical transactions subsided and people spent more time on their smartphones than ever before, consumers adopted a new kind of wallet, with 26.7% of consumers saying they are using a mobile wallet more frequently, which is a nearly 10-point increase from 2020. And this trend is only going to increase from here — more than 25% of consumers say they expect to use mobile wallets somewhat or much more frequently in the next year than they do now.

When it comes to mobile/smart device use in general (including mobile apps, mobile wallet, virtual voice assistant and text message), Millennial (23.2%) and Gen Z (23.6%) consumers unsurprisingly lead the pack in preference for making a one-time payment through these channels, a figure nearly four times higher than their Boomers+ counterparts (5.9%).

Websites Offer Prime Real Estate for Conversion

Though older consumers haven't yet taken full advantage of mobile wallets, they are already immersing themselves in digital channels like billers' and banks' websites — a trend seen across the board, as consumers are significantly more likely to say they use digital channels to pay bills more frequently now than before COVID. Similar to 2020, a majority of consumers (53.6%) prefer to make one-time payments through a biller's or bank's website, and 3 in 10 consumers report actually using a biller's or bank's website and/or mobile app more frequently than before the pandemic. This presents an opportunity for billers to educate consumers about the benefits and ease of use mobile wallets offer, perhaps even using their websites to promote and convert users to these channels.

THE TAKEAWAY

Consumers are gradually moving away from old-school payment channels such as mail and in person, and are much more willing to adopt and use digital and mobile options. In fact, within the next year, more than 3 in 10 consumers expect to increase their usage of their biller's website and mobile app channels. While it's no surprise the younger generations are leading the pack in digital and mobile channel usage, this does indicate that companies will need to prioritize educating older consumers on the benefits and simplicity of these options, as well as potentially update these options to be more user-friendly, in order to increase adoption among that age group. However, it's not just the older generations that billers should be focused on educating. The younger generations' reasons for wanting to make payments in person demonstrates an opportunity for billers to educate these consumers on the benefits of real-time payments as this emerging technology takes off. Given the reliance on digital payment channels across generations, companies should also be partnering with providers who can help them deliver a digital, more seamless payments experience.



Simplicity and Speed Power Consumer Payment Method Preferences

The following section sheds light on consumer behavior and preferences about payment “methods.” Payment methods are the forms of money/currency that can be used to pay bills, such as cash, check, credit/debit card, account deduction, etc.

Keep It Simple, Gen Z

Regardless of generation, peace of mind, simplicity and security remain the top three drivers for consumer behavior when it comes to the methods they use to pay bills. This is a steady year-over-year trend further fueled by the economic uncertainty caused by the pandemic. However, despite the desire for simplicity, younger generations consider the bill pay process to be more complicated than older generations. While the majority of U.S. consumers use just one or two methods to pay for their monthly bills, Gen Z and Millennials use significantly more methods to pay for their monthly bills, with 10% using five or more methods compared to just 3% of older consumers. Taking this data into consideration proves billers have an opportunity to educate younger consumers about how to streamline their payments across digital methods to simplify their experience.

Credit Cards Creeping Up in Use for Bill Pay

In general, more than 3 in 5 consumers use checking account deductions to pay their monthly bills, and 2 in 5 use debit and/or credit cards. For one-time bill payments, debit card and checking account deduction remain consumers’ most preferred methods overall. However, consumer preference for making one-time bill payments via debit card did decrease, from 32% down to 28.1%. When taking a closer look at credit cards, there is a 2% uptick in consumers’ credit card preference since 2020, making it the third-most preferred method for making one-time bill payments. As to why usage has increased, 63.2% of consumers cited wanting to earn points and rewards for using their credit card as the primary reason for this preference.

Boomers+ are most likely to make a one-time bill payment using their credit card, with 28.1% of Boomers+ preferring this method, followed by 27.8% of Millennials, 24.7% of Gen X and just 19.9% of Gen Z. This last data point is important, as it represents an opportunity for billers to intercept Gen Z consumers where they currently are, and encourage them to make one-time payments in a different way by providing educational information on the benefits of other digital methods, like lower cost ACH payments.



THE TAKEAWAY

Having peace of mind, simplicity and security remain the top three drivers of consumer behavior when it comes to method of choice. Consumers see the value in making faster payments through a checking account or debit card. However, for consumers still making payments through their credit cards, billers will need to educate them on the benefits of faster payments and emerging real-time methods in the U.S. (e.g., Mastercard or Visa’s real-time push to debit payments, planned FedNow Service push payments) and how those benefits appeal to the top three drivers of consumer behavior.



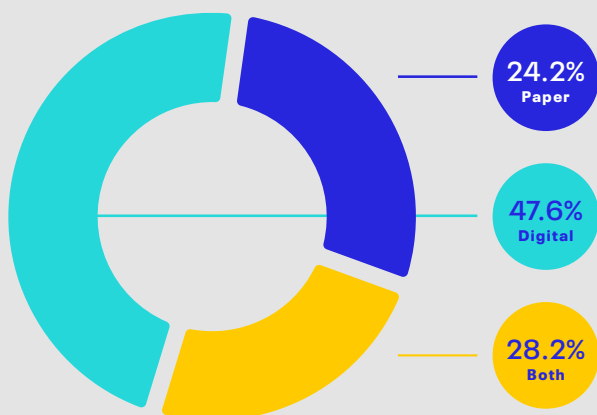
Digital Finds Its Groove in Billing Statements and Notifications

In this final section, we discuss consumer preferences and behavior about billing “statements” and “notifications.” Billing statements provide consumers with a holistic overview of their account activity and often prompt the consumer to make a payment of a certain dollar amount. Billing notifications are less comprehensive and are received digitally — these notifications often serve as reminders to consumers that their statement is ready to review, or that a payment is due.

Digital Statements Outpace Snail Mail, But Paper Isn’t Out of the Race Yet

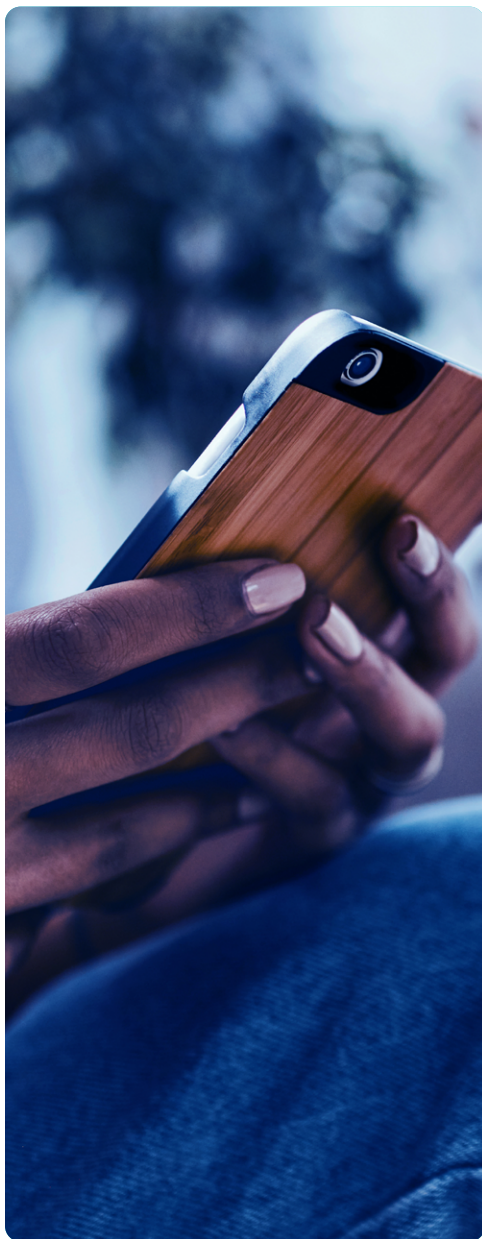
While consumers’ preference for digital options for bill statements is high — significantly more consumers prefer digital bill statements over paper — more than half of consumers still prefer some kind of paper, whether that’s paper statements or a combination of paper and digital statements. Of consumers who prefer both paper and digital billing statements, more than 2 in 5 say this is due to recordkeeping and/or the need for payment reminders, with a slight uptick in the number of consumers who prefer both to ensure that at least one form is delivered. The increased practice and reality of social distancing protocols, coupled with USPS mail delays, could be contributing factors to consumers’ increased interest in receiving digital billing statements in addition to paper statements, presenting an opportunity for billers to double-down on communicating the reliability of digital bill statements and notifications over paper ones.

Preferred billing statement method:



It is also worth noting that of those who prefer paper statements, 52.7% say they do so because the paper statement serves as a payment reminder. This demonstrates the need for billers to push consumers towards setting up digital payment reminders/notifications, on a schedule of the consumer’s choosing, to further drive digital adoption and reduce reliance on paper.





Pssst, Consumers Are Primed for Digital Notifications

With smartphones providing a way to keep the world at their fingertips, more and more consumers expect instant gratification, and that includes accessing their accounts and receiving reminders in a convenient and speedy manner. Considering more than 9 in 10 consumers own a smartphone and, with digital billing statements leading in consumer preference, it is highly likely consumers are viewing those statements from their mobile device. When it comes to preferred billing notification method, email alerts (44%) are the most commonly preferred, and mobile is growing incrementally. For instance, preference for mobile text alerts or mobile app notifications increased 2.4% from last year. Over the next 12 months, email (27.6%) and mobile text alerts (23.2%) are expected to be utilized somewhat or much more frequently by consumers, and are more popular than other notification methods. Seeing as the use of mobile wallets is also expected to rise in the next 12 months, email and text alerts from mobile wallets regarding transactions are likely to be the cause of this uptick.

THE TAKEAWAY

Although digital statements are still most preferred by consumers, the desire for both paper and digital shows consumers may feel their current digital statements aren't informative or effective enough on their own. Companies should reevaluate how statements are being presented on paper vs. digitally and adjust accordingly. Billers should also be pushing consumers to set up digital payment reminders, on their preferred schedule and through their preferred channel, to further drive digital adoption and reduce paper, especially since consumers are leaning more towards utilizing digital notifications and reminders. If you don't already, consider weaving digital/mobile bill notifications into your operations.

Now What?

While it may seem as though younger generations are much more active when it comes to all things digital, older generations make up a significant audience that is primed to be nudged further toward the industry-wide shift to digital payment offerings. More importantly, there is a great opportunity for billers to educate digitally native, younger consumers — such as Gen Z — who are more likely to adapt their behaviors during their younger years, about why they should lean into using some of the more seamless and digital channels. In today's technology-fueled climate, providing digital and/or mobile options for billing and payments is critical to engaging with consumers. If you do not currently have these billing or payment options — or if you do, but aren't communicating the benefits to your customers — now is the time to do so, and we can help.

Contact an ACI representative today. —>





ACI SPEEDPAY PULSE METHODOLOGY

The ACI Speedpay Pulse is a longitudinal consumer billing and payment trends research study conducted by Brownstein Group in partnership with ACI Worldwide. Each ACI Speedpay Pulse data set includes responses from a survey of at least 3,000 unique respondents (no repeat participation within a one-year period). Each survey sample is U.S. Census-balanced among adults age 18 and older who are responsible for submitting payments for at least two of their household's monthly bills. Survey margin of error is less than 1.8 percent for questions answered by the entire sample. Questions with a smaller base will have a higher margin of error. If presented, stat testing is at the 95 percent confidence level.

ABOUT ACI WORLDWIDE

ACI Worldwide is a global software company that provides mission-critical real-time payment solutions to corporations. Customers use our proven, scalable and secure solutions to process and manage digital payments, enable omni-commerce payments, present and process bill payments, and manage fraud and risk. We combine our global footprint with local presence to drive the real-time digital transformation of payments and commerce.