

The future of bill payment: The consumer need for choice driving the demand for pay-by-bank technology

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The future of bill payment



In today's rapidly evolving digital landscape, consumer preferences and expectations are reshaping the way we engage with financial transactions. Today, choice lies at the heart of consumers' financial lives, including how they pay their bills — from traditional methods like checks and cards to emerging technologies like account-to-account and peer-to-peer payments. This diverse range reflects the varied needs and preferences of individuals and underscores the importance of providing a versatile suite of payment tools.

Convenience is also paramount in today's fast-paced world. The modern consumer values simplicity and efficiency in every transaction. When paying their bills, just as they would want and expect when shopping online or dining out, consumers expect seamless payment experiences that integrate smoothly into their daily lives.

Finally, security remains a top priority. With the rise of digital transactions, safeguarding access to sensitive financial information has become more crucial than ever. Consumers want to pay their bills conveniently, but not at the cost of security. They need and want payment options that prioritize both.

In April 2024, Mastercard surveyed over 2,000 consumers in the U.S. to understand how they prefer to pay their bills and why, and how they want to pay their bills in the future. We explored the evolving landscape of consumer payment preferences, focusing specifically on the intersection of choice, convenience, and security, and how these core tenets will shape the future of bill payment.



A view of bill payment and preferences

The most often used payment method for recurring bills:

- 47% - Credit card
- 41% - Bill Pay feature through bank
- 39% - Debit card
- 37% - ACH/e-check

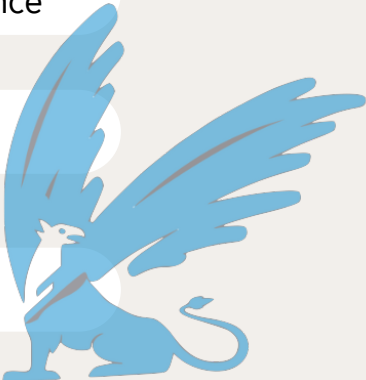
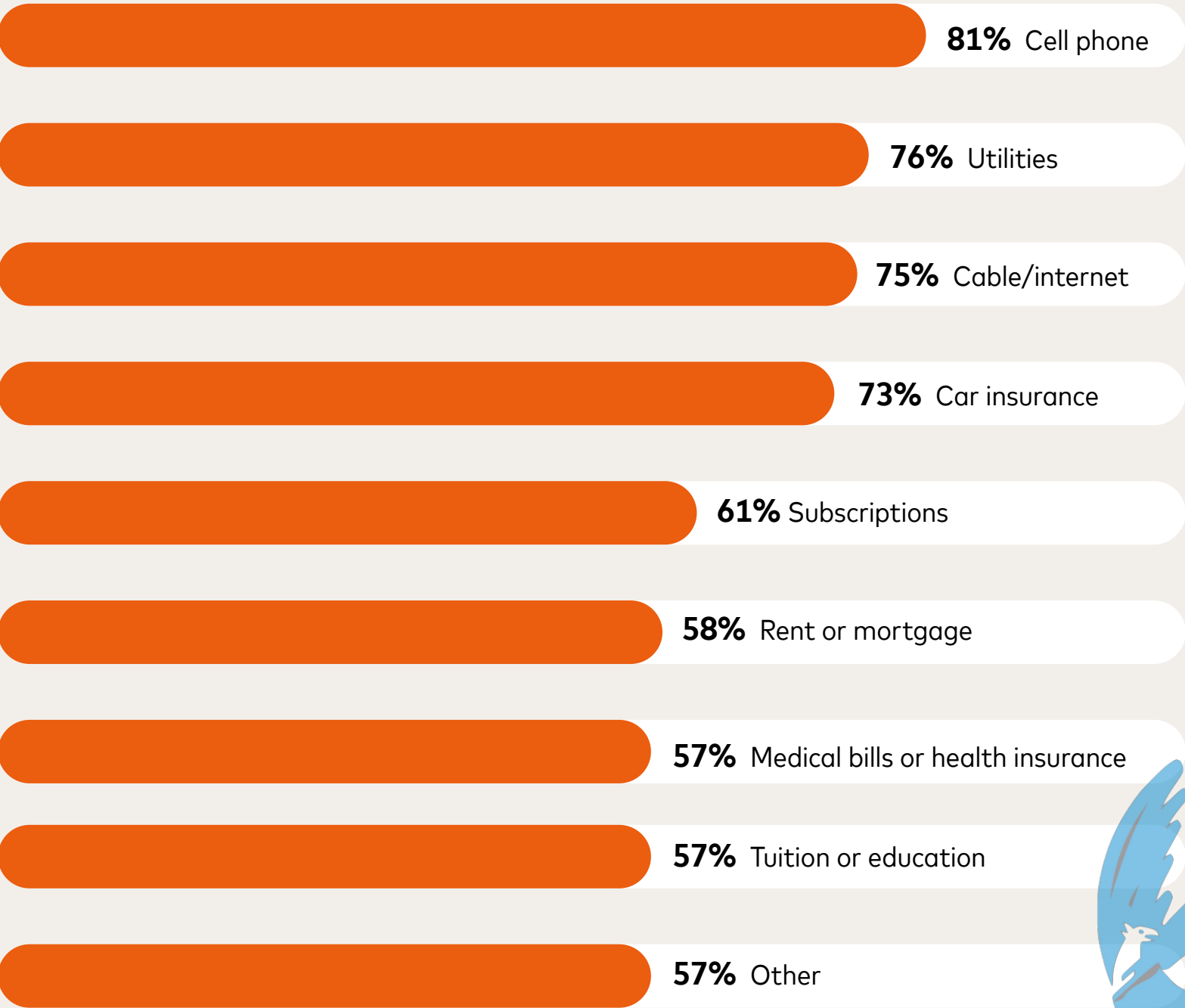
Looking forward, respondents are inclined towards similar payment methods for future recurring bills, with credit cards and Bill Pay-by-bank features leading the way. This trend underscores the reliability and trust needed for recurring expenses.

Payment method respondents would prefer in the future for recurring bills:

- 43% - Credit card
- 41% - Bill Pay feature through bank
- 33% - Debit card
- 32% - ACH/e-check



The top bills that respondents are regularly paying:



A view of bill payment and preferences

Consumers are looking for a seamless, efficient, secure way to pay a large number of everyday expenses. They are consistently turning to credit and debit cards, as well as options where they can pay directly from their bank accounts, like Bill Pay and ACH/e-check options.

78%

of respondents prefer to use the same method of payment for recurring bills as they do for other online payments.



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A closer look at consumer preferences

Understanding the dynamics of consumer preferences in bill payment methods is crucial for enhancing the overall payment experience. The primary influencers driving respondents' preferred payment methods are convenience, security, and the assurance that payments are made on time

What most influences respondents preferred method of paying bills:

- 58% - Convenience
- 49% - Security
- 49% - Ensuring their payment is made on time
- 29% - Speed
- 28% - Cost/extra fees
- 28% - Rewards program



The least preferred method of payment:

- 24% - Cash
- 18% - Check
- 16% - Peer-to-peer payments

Reasons for not preferring the above payment methods:

- 46% - Inconvenient
- 35% - Not secure
- 29% - Too slow

The top billers that offer respondents their preferred payment method:

- 66% - Cell phone
- 62% - Cable/Internet
- 60% - Utilities
- 56% - Car insurance

The payment options respondents prefer but are not currently being offered:

- 31% - Credit card
- 28% - Bill Pay feature through bank
- 27% - Peer-to-peer payments



Consumers driven by choice

Consumers want three fundamental things in their payment experiences: choice, convenience, and security, and they want payment solutions that empower these elements.

With a high value on having choice and flexibility in payment methods when paying their bills, an overwhelming number of respondents expect businesses to provide multiple payment options, indicating a strong demand for variety in how they pay.

However, only 51% of respondents feel they are frequently given the opportunity to choose their preferred payment method. This suggests a sizable gap in businesses meeting these expectations consistently.



94%

of respondents expect businesses to offer multiple payment methods

93%

of respondents said it is important to them to be able to choose the payment method they prefer

51%

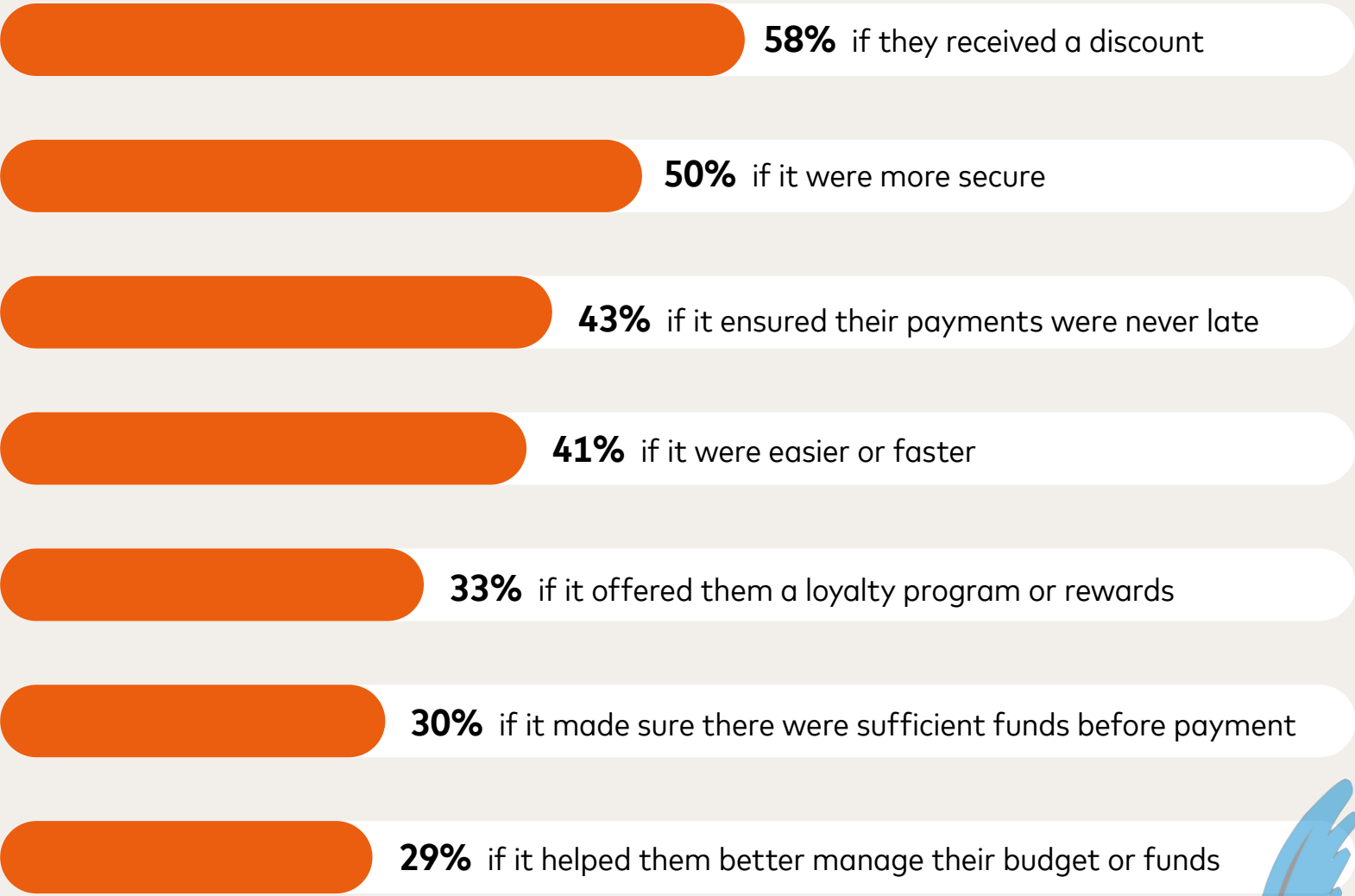
of respondents say they are "often" able to choose their preferred payment method



Convenience, security, and reliability pave the way for open banking

Based on the data, there is a clear opportunity for more businesses to embrace new kinds of payment methods supported by Open Banking technology. These new methods use consumer-permissioned connections to bank accounts for payment data rather than having the consumer input their card or account and routing numbers. The majority of consumers, across all age groups, are open to new pay-by-bank methods that would save billers money and reduce the likelihood of non-sufficient fund returns, as well as offer security, convenience, and an increased ability for consumers to manage their budgets and finances.

The top reasons respondents would set up bills to be automatically paid from their bank account:



Security remains high priority

One major driving factor in adopting new payment methods is the ability to increase security. As security threats continually increase, consumers are going to be looking for payment technologies that offer them a safer way to pay their bills.

The top payment methods that respondents feel are most secure:

- 66% - Credit card
- 60% - Bill Pay feature through bank
- 44% - Debit card
- 42% - ACH/e-check

88%

of respondents said they would or possibly would link their bank account at set up if it offered more secure payments than their current method



A future with more reliable bill payment

Many consumers are also looking for a better way to manage their finances, and the ability to avoid insufficient funds' fees would offer an increased peace of mind. As a result, many consumers are open to payment methods that would allow billers to first check account balances before pulling funds.

Convenience and savings

Consumers are also looking for payment options that save them both time and money, with the majority stating they would be willing to link their accounts when setting up new bills if it meant they could avoid having to populate their bank account information or if they were offered a discount.

77% of respondents would or possibly would link their bank account at set up if their account and routing number were automatically populated.

32%

of respondents have had a bill payment returned due to overdraft

53%

aren't sure how long it will take funds to come out of their account with their preferred payment method

63%

would consider allowing a biller to check their balance before pulling funds in order to avoid insufficient funds fees



Better tools for better financial outcomes

Consumers who have previously had bills returned due to insufficient funds need payment solutions that facilitate better budgeting and financial management — ultimately leading to better financial outcomes for more consumers. They need payment tools that enable them to ensure available funds to avoid additional costs from fees.

Of those who have previously had bills returned for insufficient funds:

- 33% say that cash is their preferred method of paying recurring bills
- 52% say that debit cards are their preferred method of paying recurring bills
- 34% say their preference is influenced by flexibility in their payment date, compared to just 21% of overall consumers
- 27% are influenced by avoiding fees when there is not enough money in their account

89%

would consider linking their bank account at set up if it offered them a discount on their bill



Advancing consumer-centric payment solutions

These consumer responses show an evolving landscape of consumer bill payment preferences and the critical factors driving them. At Mastercard, we recognize the intrinsic value of choice, convenience, and security in shaping the payment experiences of today and tomorrow.

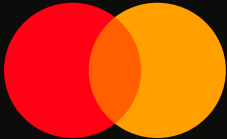
The data reveals a clear preference for diverse payment options, with credit cards and pay-by-bank options emerging as the favored method for recurring bills, reflecting the importance consumers place on convenience and security. This aligns with our ongoing efforts to enhance payment versatility.

Moreover, the demand for enhanced convenience is evident, as highlighted by the majority of respondents, across all age groups, favoring seamless, efficient payment processes. Businesses need to be committed to leveraging innovative technologies to simplify bill payments, offering consumers the flexibility to choose their preferred methods effortlessly.

This prioritization becomes even more paramount for consumers with less security in the availability of funds in their accounts. At Mastercard, we are strongly committed to driving solutions that increase financial inclusion. Creating stronger financial outcomes for all consumers means, among other things, offering payment options that allow them to better budget and manage their funds. This creates an opportunity for businesses to build loyalty and offer services while still managing payments more efficiently.

Open banking presents an opportunity to increase choice in bill payments for consumers and increase their own payments' efficiency and minimize fees from overdrawn accounts. With incentives like discounts, reliable security, convenience and funds availability, open banking can empower consumers with enhanced tools for managing their finances and achieving positive financial outcomes, while better managing their payments and building customer loyalty.





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