How consumers approach the many ways to pay

Consumers want to know that their money is going where it’s supposed to go as securely and quickly as possible. How that happens is largely a matter of what makes the most sense for an individual at the time.

This is evident in the wide variety of options consumers choose to use. Whether it’s mobile or online bill pay, person-to-person (P2P) payments or even the occasional check, consumers want it to work seamlessly within their daily lives.

Expectations & Experiences is a quarterly U.S. consumer trends survey sponsored by Fiserv. One of the longest running surveys of its kind, Expectations & Experiences builds on years of longitudinal consumer survey data. The survey provides insight into people’s financial attitudes and needs, enabling organizations to design and drive adoption of services that improve consumer financial health, loyalty and satisfaction.

Each survey focuses on primary issues relevant to how people move and manage money. This paper summarizes results from a survey conducted November 7–30, 2016, of 3,031 U.S. households who used their checking accounts to pay a bill or make a purchase in the 30 days prior to the survey. This survey looks at how and why consumers choose to pay the way they do, along with preferences for and perceptions of payments options. The survey was conducted by Harris Poll on behalf of Fiserv. For full methodology, please see page 16.
Highlights

1. **Digital options create opportunity:** Adoption of online and mobile banking is associated with significant upticks in bill payment through those channels.

2. **Online and mobile bill pay and biller direct lead the way:** Payments by online and mobile channels now comprise the majority of all bill payments.

3. **Millennials are super-users:** From online banking and transfers to mobile bill pay and digital wallets, millennials use every common digital service with greater frequency than the rest of the population.

4. **P2P is on the rise:** Active users of P2P payments rose year over year, with speed, convenience and control cited as key reasons for using the service.

5. **Digital wallets are at an early stage, but picking up:** Key audiences such as millennials, consumers who live in urban areas and high net worth individuals are taking up the service at much higher rates than the general population.
Payments options: the stage is set for variety

Online and mobile banking have taken hold, with online appearing to have reached saturation levels. For example, 75 percent use online banking and 44 percent use mobile banking. Majorities of online and mobile banking users are also using related bill pay services, suggesting increased comfort with the available technology.

As consumers become more familiar with these channels, and payments experiences, technology and capabilities mature, habits are formed that drive transactions.

Online and mobile are the entry points to all other digital services.

Survey question to all qualified respondents: Please indicate which of the following types of financial services you or someone in your household use to access accounts at your financial organizations. / Survey questions to those who use online and/or mobile banking: Do you also use online and/or mobile bill pay through these services?
How consumers use online banking

The ways people use online banking haven’t changed considerably since last year – and paying bills remains the top use of online banking. However, this year saw a rise in the number of online banking users who use the service to pay bills.

In 2015, 64 percent of online banking users said they used the service to receive and/or pay bills. By 2016, 75 percent had paid bills through the service and 35 percent had received bills electronically in the prior 30 days.

Survey question to those who used online banking in the past 30 days: Which of the following features of your online banking service (through your laptop or desktop) did you use in the last 30 days? Select all that apply.

- 75% Paid bills
- 60% Transferred money
- 35% Received bills electronically
- 35% Received alerts regarding activity on an account
- 28% Made loan payments online
Mobile banking becomes more transactional

Today’s consumers want to bank wherever and whenever it’s most convenient. They are increasingly using mobile banking to actively manage their finances, and three of the top five uses of mobile banking are transactional (transferring funds, bill payment and mobile check deposit). The other two leading uses – checking balances and account alerts – drive further transactional activity.

As mobile technology advances, adoption of features can quickly follow. For instance, a feature that allows consumers to view their account balances without logging in was first introduced in 2013. By 2016, 80 percent of mobile banking users reported using a balance-viewing feature (with or without logging in) in the prior month.

Survey questions to those who used mobile banking in the past 30 days:

Which of the following, if any, are reasons you use a mobile banking service?

Top 3 reasons to use mobile banking

- **Convenient, easy and saves time**

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Top 5 mobile banking uses (past 30 days)

- **80%** Viewed balance
- **56%** Transferred money
- **41%** Paid bills through financial organization’s bill pay service
- **39%** Deposited a check through mobile
- **36%** Received account alerts via email or mobile app
Online and mobile bill pay lead the way

Consumers still use traditional payment methods such as snail mail, pay-by-phone and in-person payments to pay bills, but online and mobile payments (either through the financial organization or through the biller) now make up the majority of payments.

Satisfaction is also fairly high, with 79 percent of online bill pay service users rating the service 8 of 10 or higher, while 70 percent of mobile bill pay users say the same.

High satisfaction with bill pay services

79% Online bill pay
70% Mobile bill pay

Survey questions to those who used online and/or mobile bill pay service: From 0 to 10, please rate your satisfaction with online or mobile bill pay service.

Survey question to all qualified respondents: Please estimate the number of bills you paid using each of the following ways last month.
Why people pay through financial organizations vs. biller direct

The reasons people use bill pay services don’t differ significantly whether it is through their financial organization or through billers directly. For example, speed and convenience tend to be important factors in people’s use of these services regardless of the service they choose.

However, two noteworthy areas of distinction arise. As compared to bill pay through their financial organizations, consumers place greater value on the ability of biller direct to deliver their payments quickly (31 percent vs. 24 percent, respectively).

In addition, 33 percent cite the ability to pay multiple bills at once as a reason to pay through their financial organizations – an option that is not available through billers directly.

Survey question to those who use financial organization’s online or mobile bill pay service or their biller’s website or app: For which of these reasons do you pay some of your bills in the following ways? Select the top five reasons.
Mobile bill pay poised for even more growth

Adoption of mobile bill pay among consumers rose significantly – from 22 percent to 28 percent.

Importantly, use of mobile bill pay is also positively associated with the number of revenue-generating services a consumer will have with their institution.

So, while 53 percent of those with five or fewer services use mobile bill pay, 83 percent of consumers with 10 or more revenue-generating products use the service.

65% currently use mobile bill pay
(among those who currently use mobile banking)

Survey question to all qualified respondents: In the past 30 days, approximately how many times have you or your household used the following services? / Survey question to those who use mobile banking: Do you also use mobile bill pay through this service?
People have grown accustomed to having access to everything on demand. In their minds, financial services should be no different.

Expectations are highest for younger consumers. For example, 85 percent of Gen Xers say real-time payment delivery is at least somewhat important, while 93 percent of millennials agree.

The growing interest in real-time service is consistent with findings across Fiserv consumer trends research. Whether it’s availability of deposits, cash from a check, or withdrawals of funds and credit of payments, consumers are clear about one thing: They want it now.

Survey question to those who used mobile banking in the last 30 days: Which of the following features, if any, would you be interested in seeing added to mobile banking?

Survey question to all qualified respondents: How important is it to you that payments you make are delivered in real time (that is, within a few seconds)?
Millennials emerge as highly active across payments channels

In particular, they are embracing every possible way to pay. Compared to other consumers, millennials are approximately three times as likely to use mobile bill pay (54 percent vs. 18 percent), P2P payments (37 percent vs. 13 percent) and digital wallets (29 percent vs. 8 percent).

## Payments service usage in the past 30 days

<table>
<thead>
<tr>
<th>Service</th>
<th>Percent of users in past month</th>
<th>All other</th>
<th>Millennials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online bill pay (via online banking)</td>
<td>64%</td>
<td>50%</td>
<td>61%</td>
</tr>
<tr>
<td>Account-to-account transfers</td>
<td>57%</td>
<td>50%</td>
<td>61%</td>
</tr>
<tr>
<td>Electronic bills</td>
<td>49%</td>
<td>49%</td>
<td>62%</td>
</tr>
<tr>
<td>Biller’s website to pay bill</td>
<td>48%</td>
<td>48%</td>
<td>57%</td>
</tr>
<tr>
<td>Mobile bill pay (via mobile banking)</td>
<td>18%</td>
<td>18%</td>
<td>54%</td>
</tr>
<tr>
<td>Financial organization P2P payment service</td>
<td>13%</td>
<td>13%</td>
<td>37%</td>
</tr>
<tr>
<td>A digital wallet</td>
<td>8%</td>
<td>8%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Survey question to all qualified respondents: In the past 30 days, approximately how many times have you or your household used the following services?
Increase in active P2P users

The prevalence of P2P use is increasing. The share of active consumers – defined as those who say they have used the service in the past 30 days – has increased by more than one-third compared to 2015.

19% used P2P in the prior 30 days, up from 14% in 2015

Top uses of a financial organization’s P2P service in the last year include:

- 9% Sharing household expenses
- 7% Repaying a loan or debt to a friend or family member
- 6% Rent or portion of rent
- 5% Goods or services purchased

Why use P2P?

- 54% Saves time
- 51% Convenience
- 35% Control

Survey questions to all qualified respondents: In the past 30 days, approximately how many times have you or your household used the following? / For each of the items shown below, indicate which of the following methods you’ve used in the past year to pay. / Survey question to those who use P2P: For which of the following reasons did you use a P2P service in the past year? Select all that apply.
Well-formed habits and concerns about fees keep people from P2P

Nearly half of nonusers of P2P say they simply prefer to pay for goods and services with cash, check or credit card. Not surprisingly, this percentage is higher among late boomers (58 percent) and seniors (62 percent) who have had more time to establish their preferences.

Importantly, only 21 percent of nonusers cited security as a concern – down from 29 percent one year ago.

Such a significant drop could be a sign that the service is better understood among nonusers than it has been in the past.

Survey question to those who do not use P2P service: Which of the following describes why you have not used your financial organization’s person-to-person payments service? (Select top 3)
Digital wallets: still nascent, but picking up

The rate of digital wallet adoption has been gradual – and perhaps not keeping pace with expectations of rapid technological adoption. However, the overall adoption curve looks strikingly similar to the early years of online banking suggesting that a sharp rise may be on the way.

Interestingly, according to the Pew Research Center, the earliest online banking users tended to be younger and have higher incomes than the overall population. The same is true of early adopters of digital wallets.

Who are the early adopters? young, wealthy, urban

15% Consumers overall
28% Urban
32% Millennials
33% High net worth

Survey question to all qualified respondents: Have you used a digital wallet to purchase anything or load/store cash in the past 12 months?

Source for online banking data: Online Banking 2006, Pew Research Center
How people use and want to use digital wallets

Stored information is transactional, not personal.

Consumers are more likely to have used their digital wallets to store payment information, loyalty programs and coupons than they are to store personal data. This aligns with what people might store in a physical wallet (for example, it is assumed they would be more likely to carry a debit card than a social security card).

Survey question to those who have used a digital wallet in the prior 12 months. Which of the following types of items have you stored in your digital wallet? Please select all that apply.

Survey question to those who have not used a digital wallet, but are interested: Which of the following would you like to use a digital wallet for? Select all that apply.
Ways to pay are the leading items stored in digital wallets

Survey question to those who used a digital wallet in the previous 12 months: Which of the following types of items have you stored in your digital wallet? Select all that apply.
About Fiserv
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Methodology
The survey was conducted online within the U.S. by Harris Poll November 7–30, 2016. A total of 3,031 interviews were conducted among U.S. adults ages 18 and older who met the following criteria: Someone in the household currently has a checking account with a bank, credit union, brokerage firm or other financial organization and has used their checking account to pay a bill or make a purchase in the past 30 days.

The data were weighted to ensure that relevant demographic characteristics of the sample matched those of the U.S. general population. All respondents (not only those who met the qualifying criteria) were weighted to U.S. Census Bureau demographic profiles for the U.S. population, age 18+ on education, age, gender, race, income, region, marital status, employment status, household size and number of hours spent on the internet (with targets for this variable coming from Nielsen Scarborough).

Note: The reference questions and answer text provided here have in some cases been shortened due to space constraints. The complete text for any questions referenced in this report is available upon request.
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