

# Locking in Loyalty

Outfitting your bill pay program to keep customers happy



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**Leverage  
all your  
products  
and  
services  
to win  
your  
customers'  
loyalty  
and share  
of their  
wallets**

Community bankers face intense competition from a variety of traditional competitors (large commercial institutions, mid-tier regional banks, credit unions and mortgage lenders and non-traditional competitors), bill consolidators like CheckFree, and brokerage firms like Schwab and Fidelity. As

the battle for customer loyalty rages, acquiring and keeping customers will continue to get more costly.

Some of the most effective tools in bankers' arsenals to secure their customers are bill pay products and services. While most community banks have them, most don't promote them effectively.

Today, a bank might support up to four separate bill payment products: online banking and bill pay; credit card bill payments; debit card bill payments; and ACH for bill payment. Typically, these products are never jointly promoted. Usually, each product is sold on a stand-alone basis creating the impression that there is only one choice for the customer.

For many larger institutions, each product is often given a specific goal, which can often conflict



with another bill pay product or department. For example, one department may concern itself with revenue generation by signing up customers for online banking and bill pay, while another group may focus on the number of activated cards or interest earned by the company. Even employee incentive programs are often not coordinated. Imagine rewards of \$1 for signing up an online banking customer and nothing for signing a debit card bill payment customer. Which one is the employee most likely to promote?

## A Prime Opportunity

So why should a community bank pursue these products? Because bill pay programs are incredibly effective in retaining customers! Once customers enroll in any one of these products, their likelihood to stay

with that financial institution increases drastically. Much like direct deposit of paychecks, these are some of the “stickiest” products a bank can offer. In fact, the more bills they enroll, the more likely they will remain your customers. So why not leverage all your products and services with your customers to win their loyalty and share of wallet?

Research has repeatedly shown that customers would prefer to do their banking with only one institution, although this separation of online banking and card bill payment has led customers to get these services from more than one bank. Why not promote online, ACH, debit and credit card bill payment products as one cohesive effort to attract and retain customers? If you look into an average customer’s portfolio of bills and how they are paid, you will see why a “one-size-fits-all” strategy may not work:

- Cell phone bills, Internet service provider bills and monthly transit tickets: automatic payment on credit card (because of rewards points accumulation).
- Utility bills: automatic payment from a checking account (because many utility companies do not accept credit cards).
- Cable bill: monthly payment by telephone to a credit card (because many cable companies do not have the infrastructure for automatic bill payment).
- Mortgage, water and sewer bills: online payment from checking accounts (many customers want to ensure that

these bills are being paid on time but do not want automatic payment).

- Daily drugstore and supermarket purchases: payment by debit card (small everyday items are usually paid for this way).

### **A Full Arsenal**

Make it clear to employees and customers that each payment product has unique benefits, and that the bank is offering variety and convenience. Instead of bombarding customers with direct mail or online messages for each individual product, use a cohesive message that says: “Here are the many ways you can pay your bills with us. We’re offering you a choice.”

Community banks are in the

**The separation of online banking and card bill payment has consumers getting these services from more than one bank.**

best position to implement this approach quickly and benefit from collaboration among the online banking, credit bill payment and debit card bill payment departments because community banks usually have these groups in the same department, maintain strong ties with

their customers and can move faster than larger banks.

A word of caution: The window of opportunity won’t stay open forever. Nationwide banks, which once paid little attention to customers with small balances, have started to identify these individuals as high-value patrons. They are quickly figuring out how they can create one reward program for both credit and debit products and how they can integrate their debit and credit products into their bill pay portal.

While the big banks are still working on their strategies, community banks can strike while the iron is hot and break down walls between these product silos. This requires a companywide, top-down strategy. The departments can remain separate if they work together, but employees should be instructed to focus on acquiring and retaining customers for the bank, not for themselves.

Set up a task force from the different areas to create a prototype for the integrated offering. Set milestones. Implement a trial.

Joint goals must supersede departmental ones; employee behavior must change. Most importantly, senior management must buy into the new plan and stop using the old ways of measuring employee performance. **ib**

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