

# Government Consumer Payments

Insight Report

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**usbank**

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# Introduction

**The consumer payments landscape is changing rapidly, and digital transactions are on the rise as people increasingly rely on online, mobile and contactless payments. Digital payment options are the new norm, and consumer expectations are shifting accordingly.**

**80%+** Americans own a smartphone.<sup>1</sup>

**64%** plan to use a mobile wallet in 2020.<sup>2</sup>

The consumer payment experience is in the spotlight as people become increasingly vigilant about transaction security and interacting with payment technologies.

When it comes to government payments (defined here as taxes, parking tickets, license fees, transit/commuter passes,

tolls, park passes, emergency services and any other payments for services provided by local and state governments), citizens still tend to receive their bills and make payments using older, less secure payment methods compared to other industries.

In order to gain a better understanding of citizens expectations, we surveyed consumers in January 2020 about their payment experiences related to government fees, fines and services. This culminated in our inaugural Government Consumer Payments Insight Report. Ultimately, the shifting payments landscape represents an opportunity for government agencies and municipalities to enhance the speed, security and customer satisfaction related to billing and payments.



Section one

# The Consumer Payment Experience



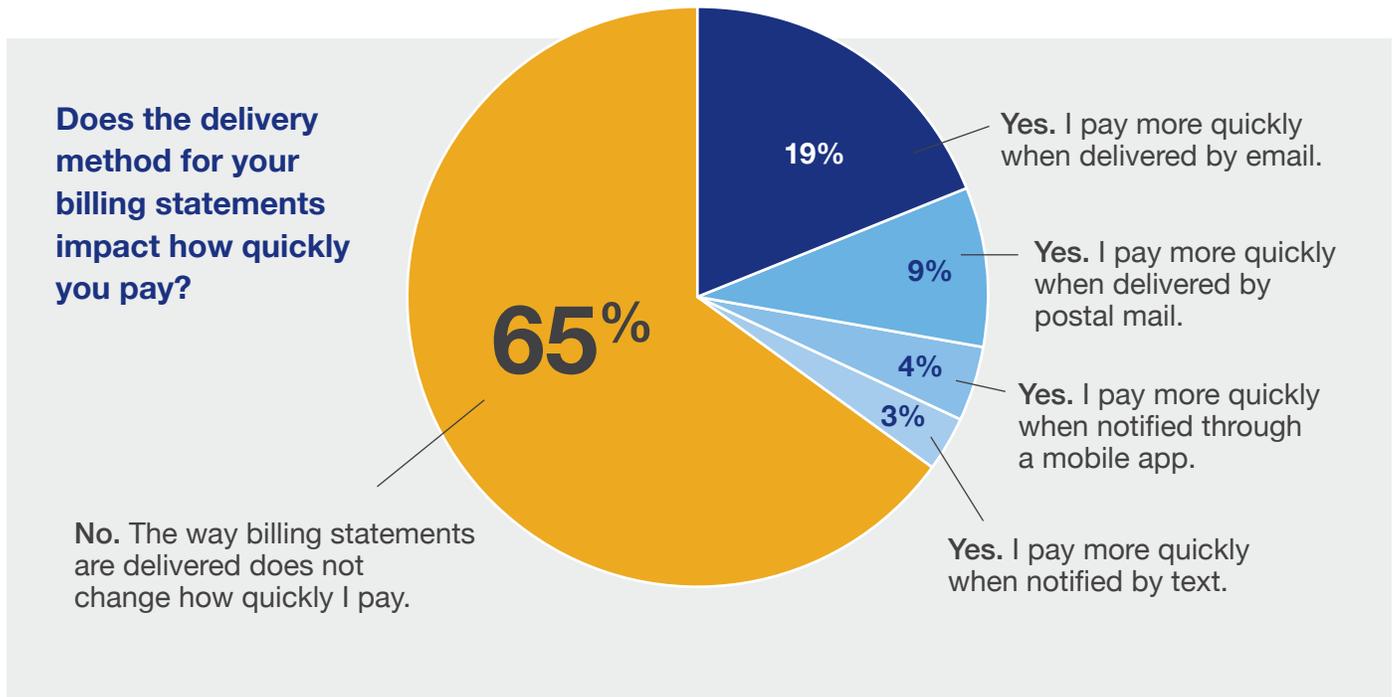
# Billing and Cost Communication

**Over one-third (35%) of participants feel that bill delivery method impacts how quickly they pay.**

Over one-quarter (26%) of participants indicate that receiving bills through digital channels – email, text and mobile app – lead to them completing payments faster.

Furthermore, on a generation-by-generation basis, two-thirds (66%) of Millennials and nearly half (49%) of Generation Xers feel that the bill delivery method does matter. Of those delivery methods, only 8% of Generation Xers and 6% of Millennials prefer postal mail.

Yet when participants receive bills from the government, a majority (79%) receive them via postal mail, and less than half as many people (37%) receive bills via email, text or mobile app. This holds true across generations, indicating that many government agencies continue to rely on paper-based billing processes.



## Billing and Cost Communication

When asked why they receive government bills via postal mail, citizens indicated that email statements (18%), text notifications (10%) and mobile app notifications (7%) were not available to them. One-quarter of citizens don't know if they can even receive their bills by any method other than by postal mail. Government agencies can save on postage and printing costs and reduce their environmental impact by shifting to more digital methods.

While 43% of consumers prefer to receive their bills by postal mail (this could be due to fear they might miss or forget about a bill, a desire to avoid cluttered email inboxes, a desire to keep paper records or concerns about security), this preference applies most strongly to older generations:

- **Silent Generation: 46%**
- **Boomers: 37%**
- **Gen X: 31%**
- **Millennials: 21%**

### How do you receive your bills for government fees, fines and services? Please select all that apply.



**79%**

Postal mail



**27%**

Email statement



**8%**

In person at a government office



**5%**

Text notification



**5%**

Mobile app notification

## Billing and Cost Communication

**Why do you receive one or more of your bills for government fees, fines and services by postal mail? Please select all that apply.**

**Prefer to receive bills by mail 43%**

Do not know if email or text are available billing options 25%

Email statements are not offered 18%

Paying by mail enables me to avoid the service fee 13%

Text notifications are not offered 10%

Mobile app notifications are not offered 7%

Other (please specify) 4%

Do not have time or forget to sign up to receive bills by email or text 3%



# 83%

***of citizens say they receive adequate cost information about their government fees, fines and services.***

Of those who say the information is inadequate, the top three responses are:

- 1. Clear details are not provided on why I'm being charged.**

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- 2. The terminology used is confusing or unclear.**

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- 3. I do not trust that the statements I receive are accurate.**

This supports the need for a simplified bill that explains costs in a way all people can understand. More consumer-friendly bills that use clear, simple language could help reduce the number of inbound calls from consumers with questions about their bill.

Though a minority of consumers (43%) prefer to receive bills by mail, close to 80% of government bills are still delivered by mail, indicating a mismatch between customer preferences and their actual experience.

A mismatch of this kind could mean government agencies are not able to collect payment as quickly as they may like, and the consumer's payment experience is suffering at the same time. Addressing the issue can have positive impacts including expediting cash flow and reducing reliance on costly, time-consuming, paper-based billing processes.

Additionally, consumers are increasingly mindful about hand cleaning and hygiene which may cause some to shift their mindset around paper-billing. Segments of the population – both citizens and staff – may display a new found preference for digital billing as a means to reduce direct contact with mailboxes, envelopes, and surfaces within a post office or mailroom.

# Payment Method Behaviors

Consumers use a variety of methods to pay their bills generally.

While 43% of consumers say they prefer mailing physical checks as one of their payment methods, the majority of consumers favor digital methods.

When paying bills of any type, which of the following payment methods do you prefer? Please select up to three.



**43%**

Physical check via postal mail



**7%**

Phone payment using biller's live customer service representatives



**43%**

Annual or monthly subscription payment



**7%**

Bank online bill pay



**39%**

Phone payment using interactive voice response system



**5%**

The biller's online payment portal



**39%**

Online/digital payment service (e.g., Apple Pay™, Amazon Pay™, Google Pay™)



**5%**

Recurring payment (auto-pay)



**10%**

Walk-in payment at the biller's office



**1%**

The biller's mobile app



**By accommodating a variety of payment methods, government agencies can improve the customer experience while offsetting the cost of card fees.**

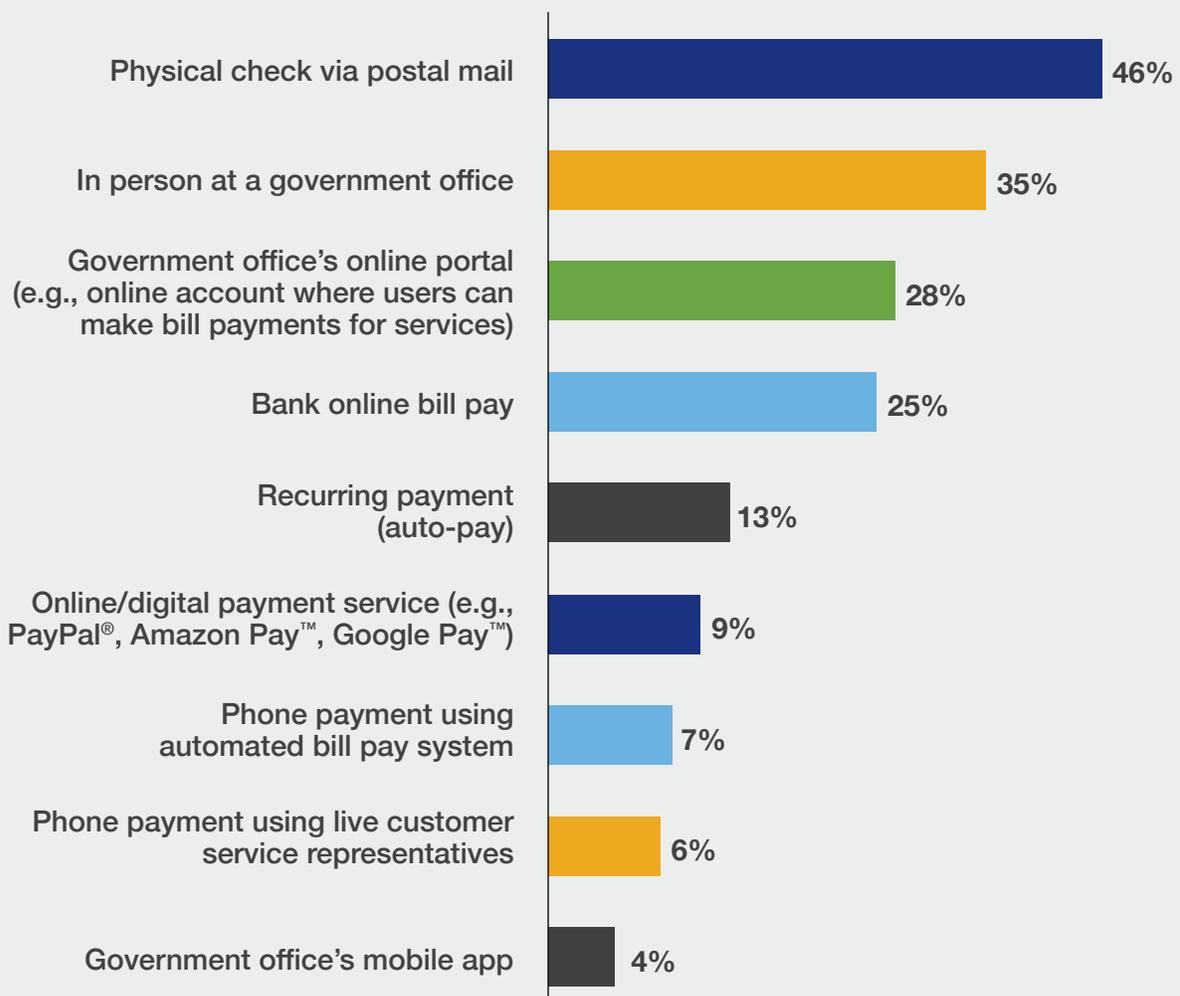
Consumers choose their preferred methods for many reasons. Most choose their payment method because of ease of use (74%) and speed (71%), and because their preferred method reduces the likelihood they will forget a payment (45%).

Yet when citizens pay their government bills, many have paid a bill either in person (35%) or by mailing a check (46%), while digital channels were less frequently selected. Again, this may indicate a reliance by government agencies on physical payment methods that do not necessarily align with consumers' preferred payment methods. It could also suggest that some agencies may not be effectively communicating the availability of digital payment channels.

# Payment Method Behaviors

## Citizens utilize non-digital payment methods most frequently

Please select all of the payment methods you have used to pay for a government fine, fee or service within the last 12 months. Please select all that apply.



## Payment Method Behaviors

**41%** 

consumers who prefer to pay by check, eCheck or ACH

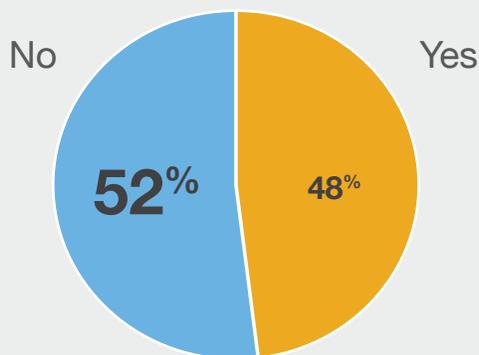
### A slight majority of citizens say they chose not to use credit cards to pay government bills.

However, consumers who set up recurring payments (auto-pay) for government bills most commonly chose credit cards as their payment method.

Those consumers who choose alternatives to credit cards cited a variety of reasons. Most say they prefer to pay by check, eCheck or ACH (41%); while others indicated they preferred to avoid paying a service fee (37%).

Service fees are a proven way to expand payment choice for consumers while also effectively managing the costs of accepting card payments. Government agencies can reduce expenses by implementing service fees to offer consumers the opportunity to choose less costly payment methods such as ACH and check.

### Have you used a credit card to pay for a government fee, fine or service within the last 12 months?





**Why do you choose not to use a credit card to pay for government fees, fines or services? Please select all that apply.**

<b>I prefer to pay by check, eCheck or ACH</b>	<b>41%</b>
I do not want to pay the service fee	<b>37%</b>
I prefer to use my debit card	<b>19%</b>
I do not want to incur credit card debt	<b>19%</b>
I only use credit cards for emergencies	<b>9%</b>
I do not have a credit card	<b>8%</b>
I do not feel it is secure	<b>5%</b>

Based on this survey, it does appear service fees play a role in encouraging citizens to choose more cost-effective payment methods. However, over half (59%) of consumers say they do not yet encounter service fees when paying government bills by credit or debit card.

**There is an opportunity for more agencies to leverage service fees to offset card processing costs.**

# Payment Channel Behaviors

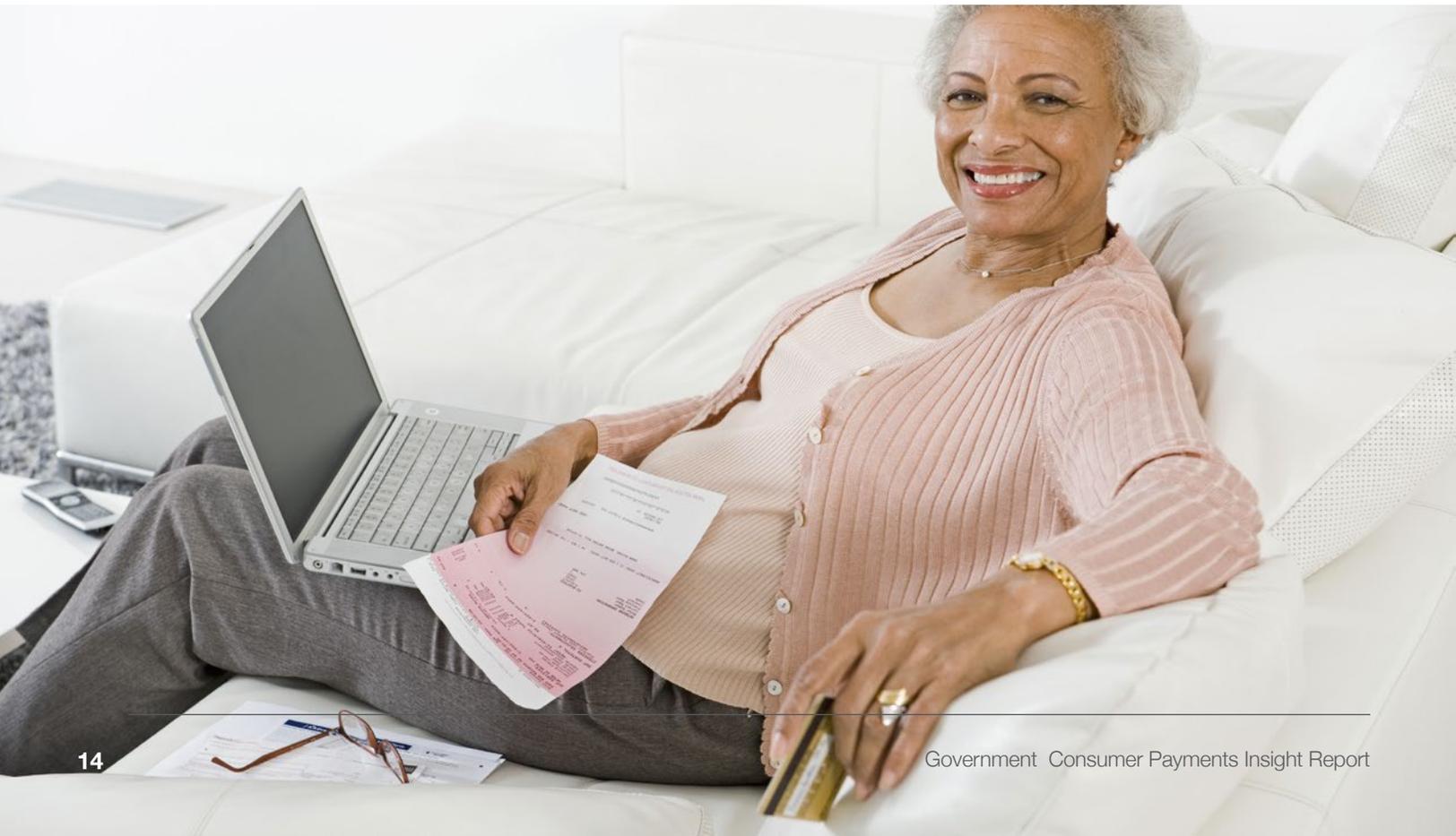
**The majority of citizens (55%) are not registered on government agency online portals.**

This may be due to a lack of availability, lack of consumer awareness or poor usability. However, there is also a generational bent to this data. Consumers who are 56 and older are actually most likely to be registered on a portal:

- **Silent Generation: 65%**
- **Boomers: 53%**
- **Gen X: 41%**
- **Millennials: 36%**

While younger generations tend to be more digitally engaged, they may have less interaction with government agencies. For example, home ownership tends to be lower among Millennials versus Generation X and Boomers,<sup>3</sup> so they may not be as likely to incur property tax, alarm permit, trash or sewage bills.

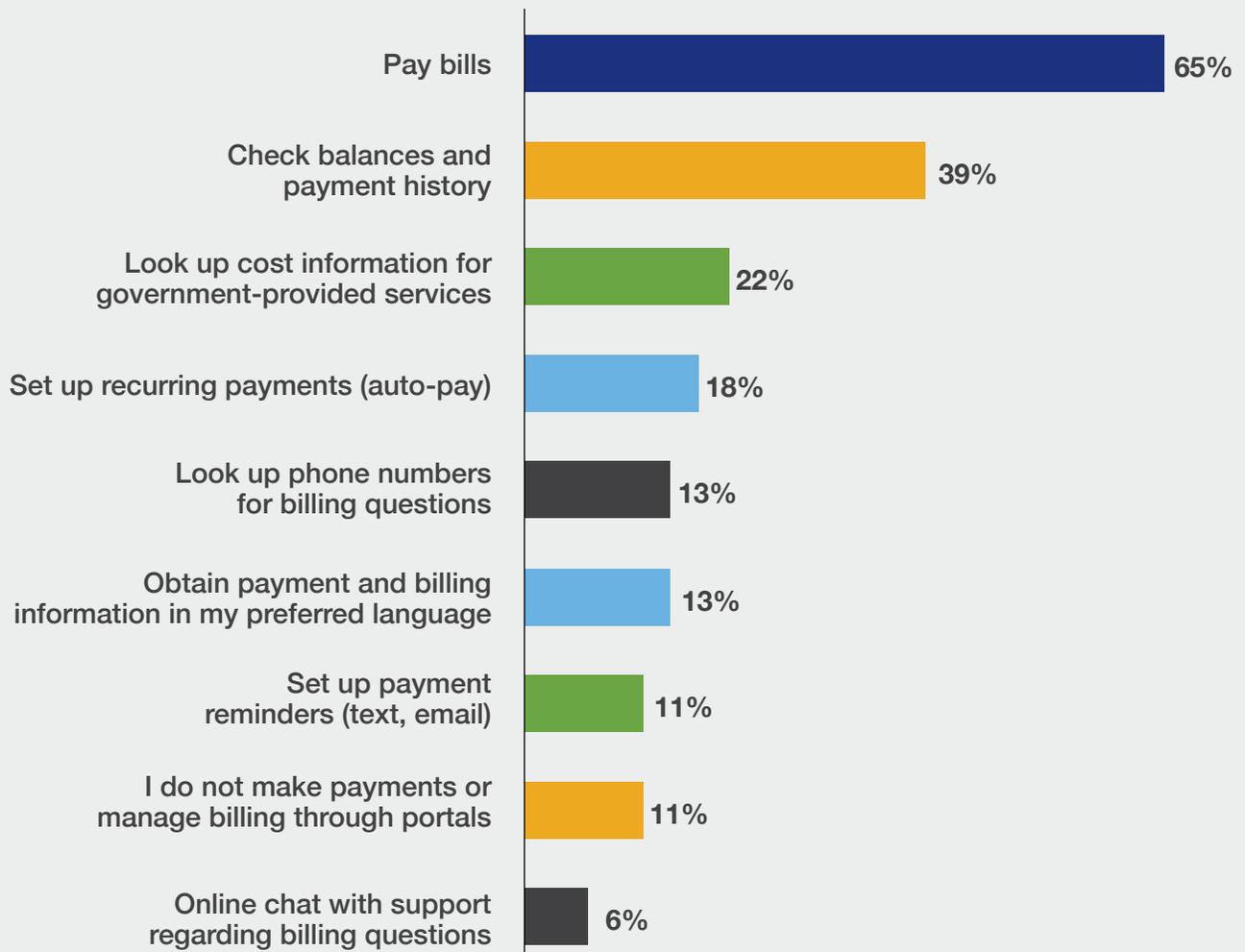
Of those consumers who say they access government portals, most do so only 1–4 times a year (68%), followed by 5–9 times (12%), 10–14 times (12%) and 15+ times (4%).



## Payment Channel Behaviors

Citizens primarily use portals to pay bills or check their balance and payment history.

Which of the following payment and billing features do you use for local or state government online portals? Please select all that apply.



48% 

consumers who have set up auto-pay linked payment to a credit card



### Interactive Voice Response (IVR) System

Just 16% of citizens surveyed have used a government agency's IVR system to pay bills or obtain balance information in the last 12 months. Of those consumers who have used a government IVR system, 66% say they did so to pay bills, followed by 53% to check balances and 39% to check payment history.

Government agencies that haven't adopted IVR may be missing an opportunity to maximize their customer service teams while improving the consumer experience. Enabling IVR payment acceptance can reduce key entry of payment information by live operators, improving card data security and data accuracy. In addition, it expands access to multilingual support, enabling consumers to interact with a government agency in their preferred language.



### Recurring Payments (Auto-Pay)

Even fewer citizens (14%) say they have set up recurring payment with a government agency in the last 12 months. Most consumers who have set up auto-pay linked payment to a credit card (48%), followed by eCheck or ACH (34%) and debit card (31%). 26% also said they set up paperless billing and payment notifications along with their auto-pay.

Government agencies that bill for services on a monthly, quarterly or annual basis can improve the speed and efficiency of collecting payments by offering consumers the ability to set up recurring payments (auto-pay) through an online portal or mobile app. It is not uncommon for consumers to forget or miss a payment; auto-pay can help government agencies increase on-time payments for services such as golf course and recreation center memberships, park passes, commuter passes and toll roads.

Section two

# Data and Security

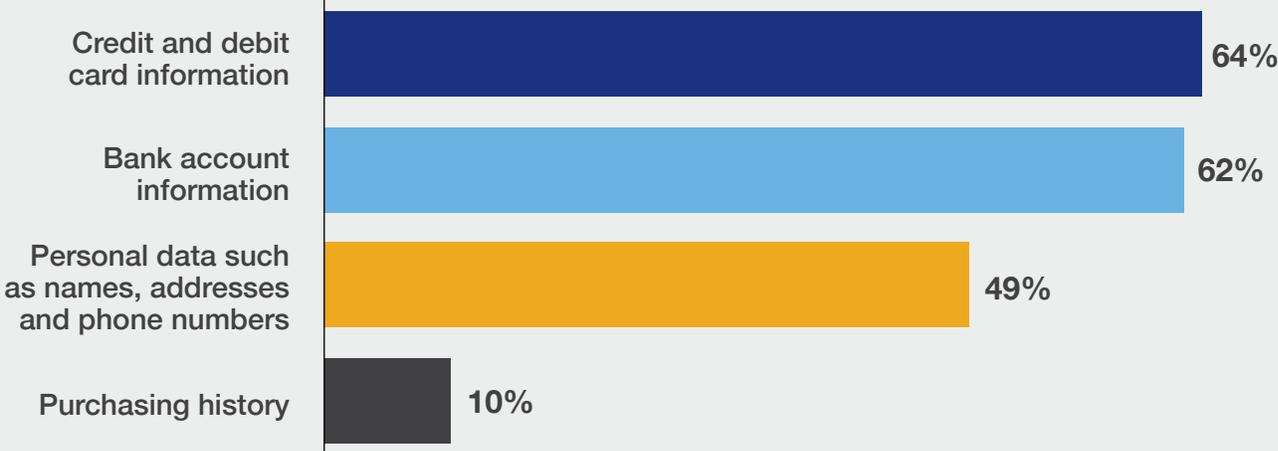
# Perceptions of Data and Card Security

## Security breaches can affect millions of accounts and lead to massive losses of savings, personal information and peace of mind.

19% of consumers surveyed said they've had their credit or debit card information stolen within the past two years. And while the number of consumers falling victim to identity fraud may be decreasing, the liability for that fraud has increased for businesses.<sup>4</sup>

Citizens surveyed feel concerned about the security of their payments. 78% feel somewhat to extremely concerned about using their credit or debit card to make a payment after hearing about data breaches in the last 12 months. Only 4% feel no concern at all.

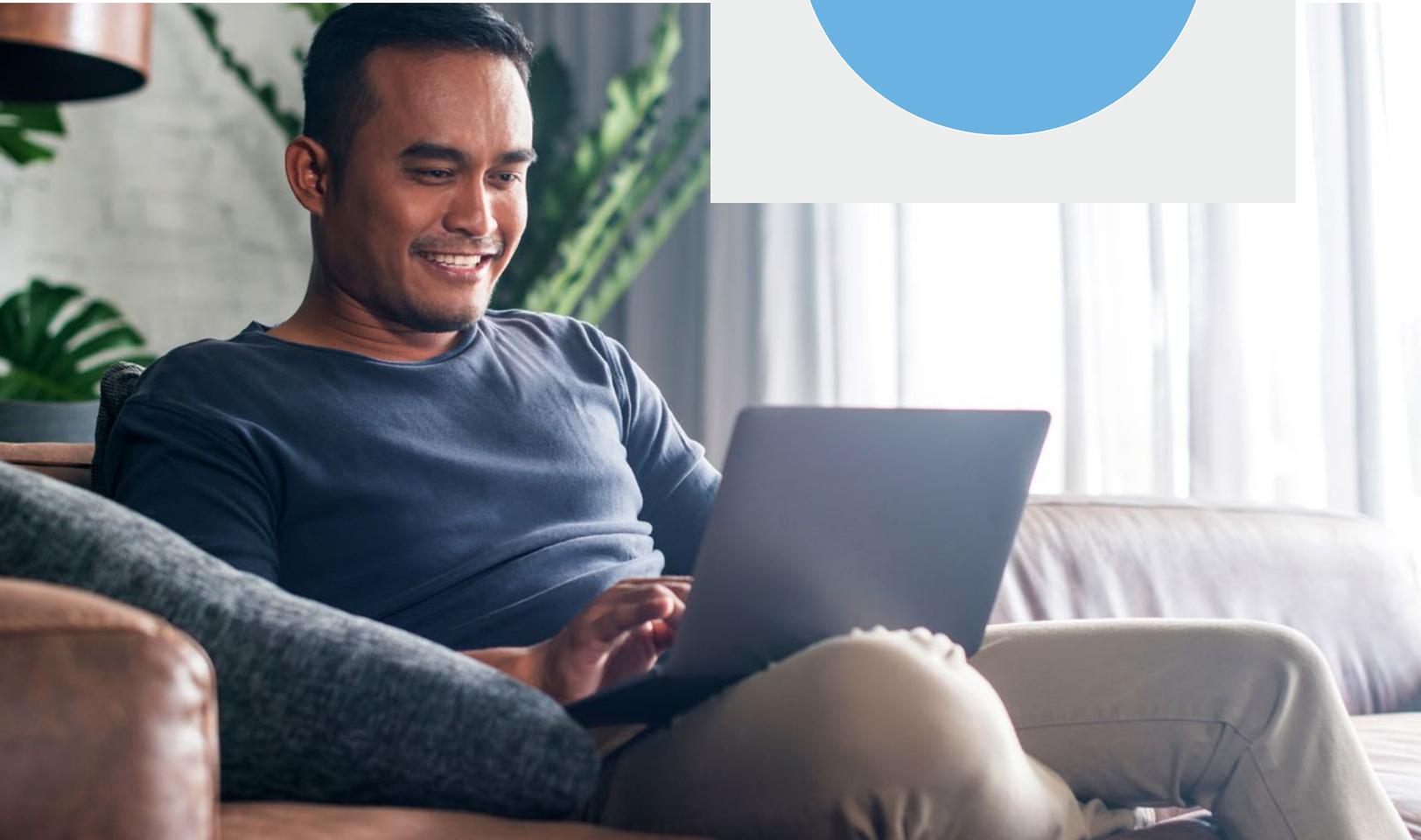
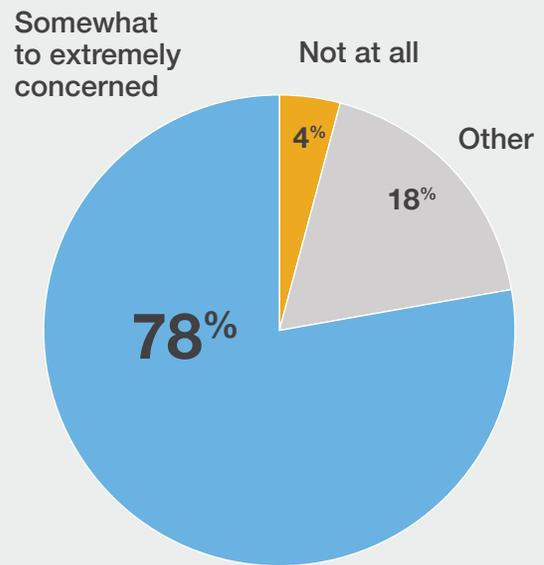
**Which of the following are you most concerned about being stolen as the result of a card data breach? Please select all that apply.**



## Perceptions of Data and Card Security

Citizen's concerns about fraud and data breaches can impact how they choose to make payments. Some respondents indicated they would choose a payment method other than credit or debit card when available, with most gravitating to checks or online bill pay.

### How concerned are you about the security of your payments?





When asked about their level of concern about credit and debit card security, participants are most concerned about digital payment methods supported by a smartphone.

**Top three (of eight) payment methods ranked as “extremely concerning” or “very concerning” for card payments:**

Pay by text	25%
Pay by mobile app	17%
Pay by email	14%

It’s important to note the percentages remain small indicating that the majority of consumers feel digital payments are safe.

**Do your card payment security concerns cause you to choose one of these other payment options when available? Please select all that apply.**



**26%**

Bank online bill pay



**22%**

Check



**13%**

Online/digital payment service (e.g., PayPal, Amazon Pay, Google Pay)



**11%**

ACH or eCheck

# Perceptions of Security in Government

**For government-related payments, about half (49%) of citizens feel their payments are very or extremely secure.**

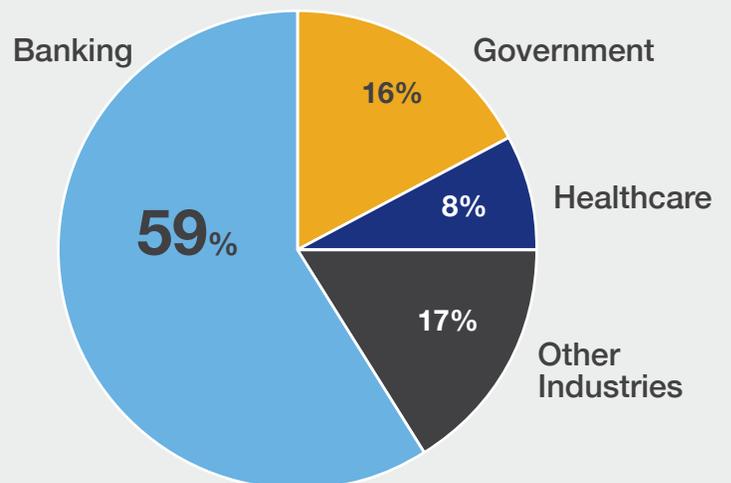
However, 45% feel their payments are only somewhat secure, which is not a resounding vote of confidence. This may indicate consumers are unaware of how government agencies are working to make sure consumer payments are secure.

Consumers seemed to have mixed feelings about the security of government-related

payments when compared with other industries. While Government ranked second (16%) in the list of top three most secure industries, it fell far behind Banking which was the first choice at 59%. Putting consumers at ease could be a simple matter of increasing communications about payment security practices.



**Top three (of nine) industries ranked as most secure for payments:**





Section three

# Opportunities for Improvements and Innovation

# Payment Innovation in Government

**Less than half of consumers (46%) say government agencies are keeping pace with other industries when it comes to payment innovation – which includes creative ways to view and pay bills.**

While 52% of citizens say they are happy with how government agencies handle payments, close to half feel the opposite. Of those consumers who feel government payments need improvement, they wish government would emulate banking (54%), retail (22%) or healthcare (9%).

Banks offer well-designed, convenient channels to manage transactions including kiosks, ATM machines, online/mobile bill pay, phone, IVR, postal mail, in-person and even Zelle®. Consumers appreciate the flexibility to choose when, how and where to pay.

Retailers have expanded self-service payment channels both in-store and off-premise. Self check-out is available in many stores today and cashierless stores are poised to become the new norm. In addition, most retail chains have an eCommerce site where consumers often have the option to pay using traditional card payments or alternative payment methods, such as PayPal, Amazon Pay and Apple Pay. A few innovative eCommerce retailers have offered the ability to order and pay for goods via a smart speaker.

These industries can serve as inspiration when government agencies consider how to further modernize the payment experience for citizens.

## Top five (of 11) reasons why citizens feel government-related electronic payments require further innovation:



**43%**

Poorly designed systems



**32%**

Do not offer electronic payment options



**25%**

Interfaces are difficult to navigate



**23%**

Unreliable systems/  
prone to errors or crashing



**21%**

Concerned payment information  
may not be properly secured

# Looking Ahead: Leveraging new technologies

As new technologies emerge and become more widely used, government agencies have ongoing opportunities to more efficiently collect payments and improve the customer experience.

Four such trends and technologies can help in these areas:

- **Faster payments**
- **Mobile payments**
- **Improved bill design**
- **A better payment experience**



## Mobile Payments

With the rise of open banking and APIs, mobile payments are taking the spotlight.<sup>2</sup> New ways for consumers to manage their finances and pay their bills are gaining more and more traction, so government agencies should prepare for more consumers accessing their portals via mobile devices.<sup>2</sup>



## Improved Bill Design

As the consumer experience becomes a key differentiator across industries, it becomes more important for bills to be well designed. This year's survey suggests that while paper bills may not be everyone's preferred billing method, it remains people's favorite. Customer experience consultancy KUBRA suggests enhancing bill design by using consistent visuals and color, incorporating clear and simple language, and avoiding inclusion of data that is too granular to be helpful. Clearer bills can also limit the number of billing disputes.<sup>8</sup>



### Digital Payment Networks

New payment apps such as Venmo and Zelle allow the transfer of funds directly from an individual bank account to another registered bank account. Consumers have become accustomed to these apps, and retailers such as Amazon and Apple are offering streamlined payment via digital wallets too. Implementing these innovations can help government agencies collect payments faster.<sup>6,7</sup>



### Better Payment Experience

The customer experience is becoming more essential to consumer satisfaction and retention.<sup>2</sup> Our survey suggests that there may be room for improvement for government agencies when it comes to the payment experience. Some customers cited poorly designed and unreliable systems and difficult-to-navigate interfaces as opportunities for enhancement. Implementing well-designed and mobile-friendly payment portals may reduce barriers to customers using efficient digital payment methods.



### The Coronavirus Effect

While it's still early to predict, perhaps the catalyst that has the greatest potential to permanently boost reliance on digital payments is the coronavirus. Prior to the coronavirus pandemic, major mobile payment apps had less than a 10% adoption rate in the U.S. according to Bain management consultancy.<sup>4</sup> The coronavirus pandemic is changing consumer purchasing behaviors forcing them to rely more on digital payment channels. In a CNBC interview, Peter Gordon, executive vice president and head of emerging payments at U.S. Bank expressed, "I believe this (coronavirus) crisis will accelerate and move people to utilize all forms of digital financial services."

Citizens rely on government agencies to provide vital services to the community. Supplying these services requires government agencies to efficiently and consistently collect payments from the citizens they serve. Evaluating consumer expectations can help government agencies determine where to make strategic investments in technology to simplify payment acceptance, accelerate cash flow and improve consumer satisfaction.

# Key Takeaways

- **35%** of participants feel the bill delivery method impacts how quickly they pay, and over one-quarter (26%) of participants indicate that receiving bills through digital channels – email, text and mobile app – leads to them completing payments faster.

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- **74%** of consumers choose their preferred payment method because of ease of use and speed (71%) and because it reduces the likelihood that they will forget a payment (45%).

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- Most participants receive their government bills via postal mail, while less than half of that number (37%) receive bills via email, text or mobile app.

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- When asked why they receive government bills via postal mail, **35%** of consumers indicate that digital bill delivery methods are not available to them.

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- Just **16%** of consumers surveyed have used a government agency’s automated IVR system. Even fewer consumers (14%) say they have set up recurring payment with a government agency in the last 12 months.

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- **78%** feel somewhat to extremely concerned about using their credit or debit card to make a payment after hearing about data breaches in the last 12 months. Only 4% feel no concern at all.

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- **72%** of respondents have selected a payment method other than credit or debit card at least once when available – with most gravitating to bank online bill pay and payment by check over concern about data breaches if they use a credit or debit card.

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- **49%** of consumers feel their government-related payments are very or extremely secure.

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- **46%** of consumers say government agencies are keeping pace with other industries when it comes to payment innovation.

# Methodology: About This survey

**The online questionnaire was fielded in the United States in January 2020.**

The Government Consumer Payments survey is based on a national sample of 1,049 adults, 25 years of age or older, living in all 50 states and the District of Columbia. All respondents had paid a government agency bill in the last 12 months.

## About U.S. Bank

U.S. Bank helps you manage your finances more efficiently and effectively so you can concentrate on your customers. Our experienced relationship managers work to understand your business and enable you to capitalize on this evolving industry. We offer solutions to help your organization grow, including capital markets, payables & receivables, investments, treasury management, custody & trust services, and equipment leasing & financing.

Learn more at [www.usbank.com/business](http://www.usbank.com/business) and [www.financialiq.usbank.com](http://www.financialiq.usbank.com).



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