Consider banking status when examining utility customer payment needs

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Banking status affects how customers pay their bills and is an important demographic to consider when examining customer payment needs.

- Unbanked customers don't have a bank account and are more likely to pay their utility bills in cash at a walk-in center.
- Underbanked customers have a bank account but rely on things like money orders, payday loans, pawnshop loans, or check cashing to make their payments on time.
- Fully banked customers have a bank account and haven't used alternative financial services—like payday loans or check cashing—in the past 12 months.

How does banking status affect customers' payment behaviors?

Participate in the 2023 Digital Metrics Survey

We're recruiting for the 2023 Digital Metrics Survey. The Digital Metrics Survey compares utility metrics on customers' use of digital contact channels for key journeys and other digital activities, including web analytics, moving service orders, bill payment, and outage interactions.

Fill out the participation form on the study page to sign up.

The FDIC conducts a National Survey of Unbanked and Underbanked Households (PDF) every two years to understand the banking habits and behaviors of US households. According to the most recent survey in 2021:

- Unbanked customers are much more likely to have lower incomes and be younger.
- Underbanked customers are more likely than fully banked customers to engage in mobile banking (using an app, text messaging, or internet browser on a mobile phone to access their bank account).

- Almost half of unbanked households with prepaid cards used prepaid cards to make purchases in the past 12 months, including paying monthly bills like rent, mortgage, utilities, or child care.

Your unbanked and underbanked customers are more likely to need support to make their utility payments. But utilities create barriers for these customers by charging credit and debit card fees. According to the E Source 2021 Digital Metrics Survey, 7 of 11 utilities reported charging customers a fee for bank card payments.

Fees will cause the greatest financial burden for low-income and unbanked customers and could drive these customers to use high-effort bill-pay methods, like walk-in centers, to avoid fees. Members of the E Source Customer Service Operations subscription can read more in our report Say goodbye to credit card payment convenience fees about why you should remove fees.

How do low-income customers pay their utility bills?

Low-income customers have distinct payment behaviors. According to 2023 data from the E Source US Residential Customer Insights Center, residential customers with household incomes below $25,000 per year are:

- More likely to make a payment at a walk-in center or over the phone
- Less likely to make a payment through the utility website or via automatic payment

Learn more about the E Source residential insights tools

The E Source US Residential Customer Insights Center is an online analysis tool that compiles data from the Claritas Energy Behavior Track annual online survey of about 32,500 residential customers in the US, conducted in partnership with E Source. The tool compiles data from the survey and allows users to filter responses by demographic information (such as gender and age) and household characteristics (such as size of home). It also allows users to filter by utility or state to gather information about their residential customers' energy-usage behaviors and attitudes around energy consumption.

The E Source Canadian Residential Customer Insights Center compiles data from the E Source Canadian Residential Customer Insights Survey, which we designed to better understand Canadian residential customers' attitudes and behaviors around energy and energy-related technologies. We conducted the 2021 study online with 5,001 customers.

Walk-in centers are a popular option for customers without bank accounts or access to checks because these locations often accept cash payments. But walk-in centers are costly for utilities to manage. In fact, according to the E Source 2023 Contact Center Performance study, walk-in centers are the most expensive utility contact channel.

Low-income customers also make fewer automatic payments than fully banked customers do, likely because they need to track their spending more closely. Autopay usually requires users to have a bank account, which we know is less common for lower-income customers. Some utilities accept credit card payments through autopay, but they're in the minority.

How can utilities offer equitable payment options?

When looking at your utility's payment options, keep banking status top of mind. Do you have a variety of payment channels customers can use? Are your payment options geared toward customers with bank accounts or do you have easy-to-use options for unbanked customers too? Are you eliminating barriers, like bank card fees, so more customers can use each channel?

In our report 5 payment options your residential customers want, we look at the benefits, limitations, potential customers, and utility adoption of:

- Text to pay
- Voice assistant
- Mobile wallet
- Peer-to-peer transfer
- Split payment

Members of the E Source Digital Self-Service subscription and Customer Service Operations subscription can read the full report. Learn how to become a member.

E Source also has working groups dedicated to discussing these and related topics.

The E Source Low-Income Energy Issues Forum. This group is made up of professionals focused on energy affordability. The members work for utilities, state regulatory agencies, social service agencies, research institutes, consumer organizations, national associations and other nonprofit organizations, and creative, analytical, and software businesses. The group's mission is threefold:

- Conduct research on utility bill affordability
- Share information
- Identify and propose innovative and integrated policies and approaches that help close the widening gap between what vulnerable energy consumers can pay and their current utility bills

The E Source Prepay Energy Working Group. The Prepay Energy Working Group is the industry's leading forum for the exploration of prepaid energy service offerings and other enhanced transactions enabled by smart grid.

Each year, the group meets to bring together utilities and suppliers, metering and software vendors, and other public stakeholders for two days of roundtable discussions, presentations of research findings, and in-person networking.

To learn more about joining these important discussions, contact us.

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