

The Benefits of Modernizing Your Loan Payment Strategy

When consumers get auto loans, most lenders still send out archaic loan payment coupon books. But tech-savvy consumers want more -- choice and convenience in the way they make payments. When lenders embrace digital payments, not only do they provide options that align with the way many consumers live, but they open the door for tremendous benefits for their organizations.

Many of us have fond memories of the 1980s – listening to Van Halen cassette tapes, watching “Dallas,” “The A-Team” and “Three’s Company” on TV, spending hours struggling to solve the Rubik’s Cube.

However, while it’s great to reminisce over photographs of big hair and parachute pants, few people would want to return to the ‘80s and lose all the conveniences we’ve come to rely on in 2016. Technology has advanced massively in a short space of time, and many cutting-edge innovations from 30 years ago verge on obsolete today.

Customer Expectations Are Driving Forward

Technological change is being driven headlong by customer demand. We are all consumers, and in today’s interconnected world, the consumer is very much in the driver’s seat. We want options, and we want solutions and capabilities that suit our schedules and our needs. We don’t want to think too hard about the technology; we expect it to deliver what we need when we need it.

Unfortunately, not all businesses are in step with the digital consumer today. Take car loans, which 76 million consumers across all demographics have, according to TransUnion. When millennials, the most tech-savvy of generations, purchase a car and sign up for automatic payment of their loan, they are baffled to receive loan coupon books in the mail. Chances are they don’t even know what to do with them because they are accustomed to electronic payments.

It isn’t just the younger generation, either. According to the Eighth Annual Billing Household Survey from Fiserv, 90 percent of households use more than one payment method – a 40 percent increase from the previous survey. This underlines the point that all consumers want ease of use, and they want choice.

Get in Step With Your Customers

If consumers aren’t provided with options, they will seek them elsewhere — even from organizations that aren’t financial institutions but do provide those capabilities they want. Financial institutions need to be able to provide multiple forms of payment, moving toward digital options and away from those paper statements and coupon books that are so 1980s. This not only benefits the customer, but also the lender because revenue collection is faster than waiting for that coupon to be mailed in. And the price of postage has increased substantially since the ‘80s, so the cost savings to the lender can be significant.

The smartphone has been such a game-changer that it’s critically important to make it easy for borrowers who want to make their loan payments on mobile devices. The Fourth Annual Biller Mobile Bill Pay Benchmark Study from Fiserv found that 24 percent of visitors to biller websites are from mobile devices. Paying a bill is the top activity for mobile visits to billers’ websites, and 33 percent of U.S. online households are paying at least one bill through a mobile device each month, according to the same study.

When you send out a coupon book, that's only one customer touchpoint. You aren't communicating with them again until you send out another piece of direct mail. However, if you present that communication digitally, there are several benefits: It costs less, you can get it to the customer faster, and the customer is more likely to read and absorb the information because that's the customer's preferred method of communication anyway. Once the customer is on your website, you can cross-sell and raise awareness of capabilities the customer may never have known you had.

One Seamless Experience Internally and Externally

Financial institutions can derive tremendous benefit from using a single partner for automotive servicing and billing. Using one vendor cuts down on the system training and management costs involved with disparate systems, as well as upfront implementation when tying together different vendors. Having a consistent look and feel for customer touchpoints and accounts updated in real time with the most current information helps to drive a positive customer experience. Similarly, real-time integration means no waiting for separate systems to talk to each other to update accounts and let customers know their payments are due, speeding revenue collection.

Having one vendor also presents an opportunity to drive cross-sell revenue through initiatives that are traditionally pushed out through hard-copy marketing collateral. Instead, these are presented in one system so the customer care representative is able to engage with customers on promotions via phone or webchat. Integration with consumer self-service web portals can present this information seamlessly via the web, and marketing messages can be incorporated into electronic billing statements.

Most importantly, regulatory risk is reduced, vendor management is streamlined, data is secure in one location, the audit trail is easy to navigate, and the system automates required customer notification such as late payment notices and billing statements.

The Bottom Line: Give Customers What They Want How and When They Want It

Lending used to be one size fits all, but now that consumer technology and expectations are changing, the approach needs to change to one size fits one. Financial institutions should listen and respond to those expectations because, otherwise, consumers will simply go elsewhere to seek services that fit the way they live their lives. Both financial institutions and their customers will benefit from a shift to a collaborative organization with digital capabilities. Consumers will choose the lender who provides options and convenience ahead of competitors who are slower out of the blocks.

About the Author

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