How to Strengthen Client Loyalty with Bill Pay

Done right, managing bill pay for your high-net-worth clients will make them happier and stickier.

Client retention is a priority for advisors, especially in light of data showing that a third of wealth management clients intend to switch providers or move assets by 2022[1]. Advisors can strengthen their relationships with current high-net-worth clients by providing services that offer wealth management clients value beyond investment advice. Expanding into adjacent services requires some careful planning, however. If client loyalty comes at too high a cost in time, labor or additional business risk, it may not be worth an advisor's investment.

Balancing the needs of advisors and clients requires a combination of the right service to alleviate a particular client pain point and a technology platform to deliver that service securely and efficiently. Bill pay services are especially attractive for advisors who work with high-net-worth (HNW) clients—or for those who want to break into that market.

The potential for these services remains a blind spot for advisors, however. In a recent survey conducted by WealthManagement.com, 75% of advisors indicated some level of concern about client retention. Only 13% indicated they were looking into implementing value-added services of any kind, however.

Why bill pay is important to high-net-worth clients

For households and even small mom & pop businesses, paying bills typically represents little more than a minor nuisance. For more complex business structures, keeping track of where particular expenses are in the payment process and quickly routing them to the right approvers requires significantly more attention and effort. High-net-worth clients who have multiple foundations, trusts, properties or businesses have a lot more bills to track, pay and record. Since paying bills has traditionally been a manual, paper-based process, that added complexity means more time, more labor and ultimately more cost as clients grow and expand. Manual, paper-based processes also expose firms to a greater risk of fraud and resource-consuming audits.

Expense management records are critical tax and compliance tools, so organizations that skimp on the resources they deploy for bill pay risk serious financial and legal consequences. As organizations have found the process too burdensome or time-consuming to handle themselves, they have commonly sought to outsource the efforts instead. Accountants have traditionally been the primary service providers offering bill pay services because of the relationship between those efforts and tax preparation—and because many accounting firms have long experience with burdensome, manual processes.

1. https://www.ey.com/en_gl/wealth-asset-management/when-wealth-management-clients-want-to-switch-will-you-be-their-first-choice

The right technology matters

The association of bill pay with time-consuming manual labor may be a turn-off for wealth management firms and family offices looking for ways to expand their practice into areas that can further help their clients. If a client with a high volume of bills to pay spends 10 hours a month capturing invoices, seeking approvals, making payments and reconciling the books, finding a specialist or hiring a team to spend those same 10 hours on the client's behalf is unlikely to make good business sense.

With the right technology, however, adding bill pay as a service offering can alleviate many of the pain points clients experience, while also reducing the time and labor required to do the process right. For example, an offering like Bill.com bakes many of the time-consuming and risky elements of manual bill pay processes into its technology platform. It auto-enters invoice details for review, easily routes clients' bills and review notes through pre-determined approval workflows saving time managing clients' bill pay. The platform also provides multiple, secure payment options which allows firms to pay bills quickly, to eliminate the hassle of having a person physically sign a check, and to have time-stamped audit trails. Those are major benefits for firms that used to require an accounts payable clerk to get checks signed by a CFO or partner in person—especially during the pandemic.

Getting the platform right is important because bill pay done wrong can be a disaster. Even missing a single bill could cause clients to doubt the firm's reliability and cause them to look elsewhere not only for bill pay services, but for management of their investment portfolio as well. Firms that work with high-net-worth clients may have been slow to adopt bill pay as a value-added service because of this level of risk. According to Bob Jacobson, Partner at Friedman & Huey Associates LLP, having the right technology in place changes the equation substantially. "Before Bill.com, bill pay was something to be avoided," he said. "Now it is something to be marketed."

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Competitive differentiation

An efficient technology platform changes the stakes for advisors considering bill pay as a value-added service. They can offer clients an opportunity to offload a time-consuming manual process while also making the process significantly more efficient. Bill.com clients have seen the time required to deal with accounts payable or bill pay processes cut by 50% after they implement the solution.

Fewer than one in five advisors report that they currently offer bill pay services to their clients today. Adding this service creates a point of competitive differentiation in a marketplace that's more concerned than ever with client churn. It also addresses a pain point that is more prevalent among clients toward the top of the wealth spectrum—among the most attractive client populations for advisors seeking to increase their assets under management.

Adopting an efficient, secure bill pay platform has proven to be a game-changer for Josh Levine, Founder and CEO of Cornerstone Family Office LLC, which provides wealth administration services for ultra-high-net-worth clients. "We could not be happier with the move," he said. "It has transformed the way we service and engage with clients, allowing us to shift from a cumbersome and time-intensive process to a streamlined and secure digital platform."

Deepening existing client relationships

More importantly, bill pay can contribute to client retention in significant ways. The equation is straightforward: The more valued-added services advisors can provide to their clients, the harder it becomes for clients to replace them easily. Bill pay also subtly creates organic opportunities to stay in touch with clients through simple, low-friction interactions whenever bills need approvals or monthly reports come due. Levine found that capability especially useful as his firm dealt with the fallout from the COVID-19 pandemic. "The move gave us the tools we needed to quickly adapt to the requirements of a remote work environment and enables us to provide the high-touch support needed to serve our families without being physically tethered to our office," he said.

Additional visibility into a client's bill pay activities can offer valuable insight for advisors as they develop financial strategies. Currently 56% of advisors indicate they rely on manual reporting for insight into their clients' cash flows, which means they get only periodic visibility into their clients' business operations.

The pandemic economy has driven home the importance of cash flow in near-term planning. A bill pay platform that connects seamlessly with a client's back-end accounting system means advisors can have a much more up-to-date picture of the expense side of a client's balance sheet. If a client's spending rises unexpectedly, an advisor can respond more quickly with tactical adjustments before a looming cash flow issue becomes a crisis.

A win-win for high-net-worth clients and advisors

As advisors focus on attracting and retaining clients, the vast majority indicate they intend to implement new technology to improve digital communication, add support staff and beef up training opportunities to ensure those new technologies get used properly. As important as those elements are, bill pay offers a more direct path to competitive differentiation and client retention. Bill pay is a value-added service that solves a current pain point for an attractive, affluent client segment. It also incentivizes those clients to turn to their advisor for more of their financial needs, further deepening the advisor-client relationship.

Taken in combination, a broader service line, a higher-touch advisor-client relationship and a deeper understanding of a client's financial picture are a recipe for increased customer loyalty. "Bill.com works as superglue with our clients," said Bob Jacobson. "When you do it right, they will never want to leave you."

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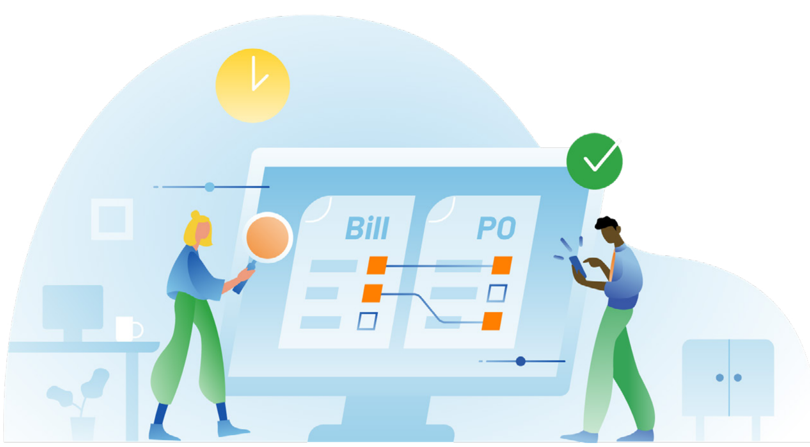
- Bob Jacobson, Partner, Friedman & Huey Associates LLP



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