

Survey of Consumer Payment Choice: Preliminary Results 2008

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Presentation Overview

- Survey of Consumer Payment Choice (SCPC) Program & Methodology
- Preliminary 2008 SCPC Survey Results & Industry Trends
- Future Survey Plans

Why the Need for Public Consumer Payments Data

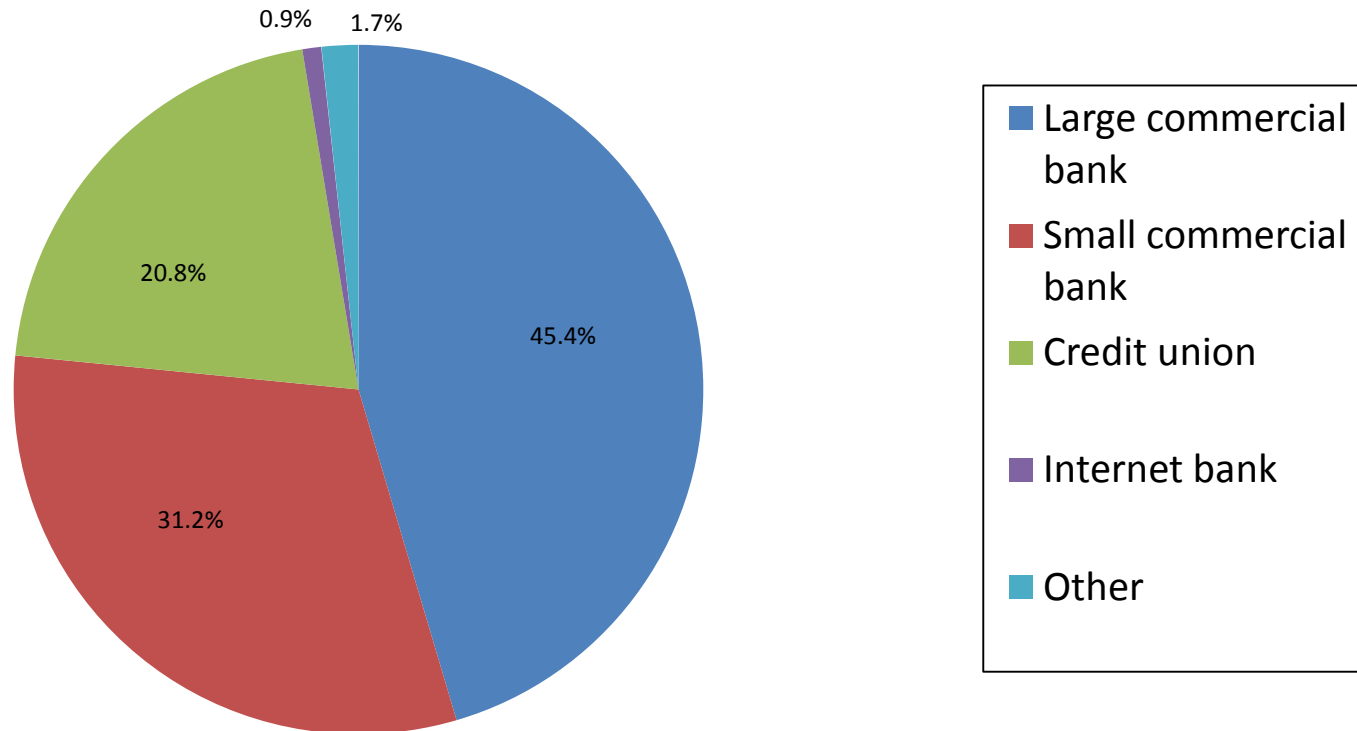
- Private data limitations
 - Often statistically weak or lacking details
 - Proprietary or prohibitively expensive
- Public data advantages
 - Relatively unbiased, public good
 - Central Bank technical & research expertise

2008 SCPC: Background & Methodology

- RAND American Life Panel (ALP)
 - Panelists drawn from Michigan Survey of Consumers participants
 - Ages 18+ (since 2006)
 - Longitudinal panel of consumers possible
 - Participants remain in ALP indefinitely
 - Paid to take all surveys, but on a voluntary basis
 - Not designed as a true panel but can match consumers
 - 2008 SCPC has 1,010 respondents
 - Internet/TV survey (technology provided)
 - Mean response time: 34 minutes

Most Respondents had Primary Checking Account

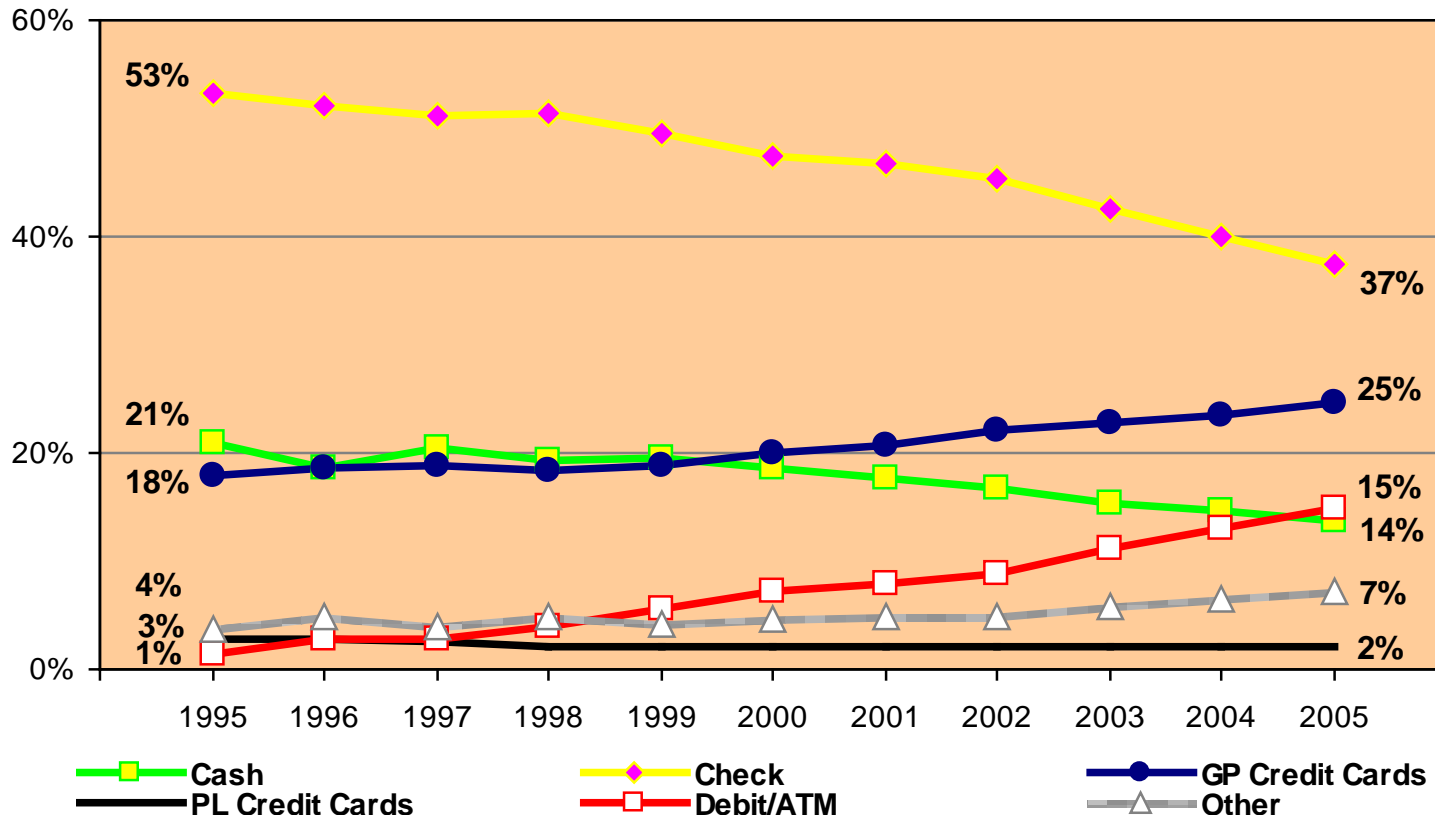
Account by Type of Financial Institution, 2008



SOURCE: 2008 Survey of Consumer Payment Choice; preliminary and unofficial statistics, subject to revision.

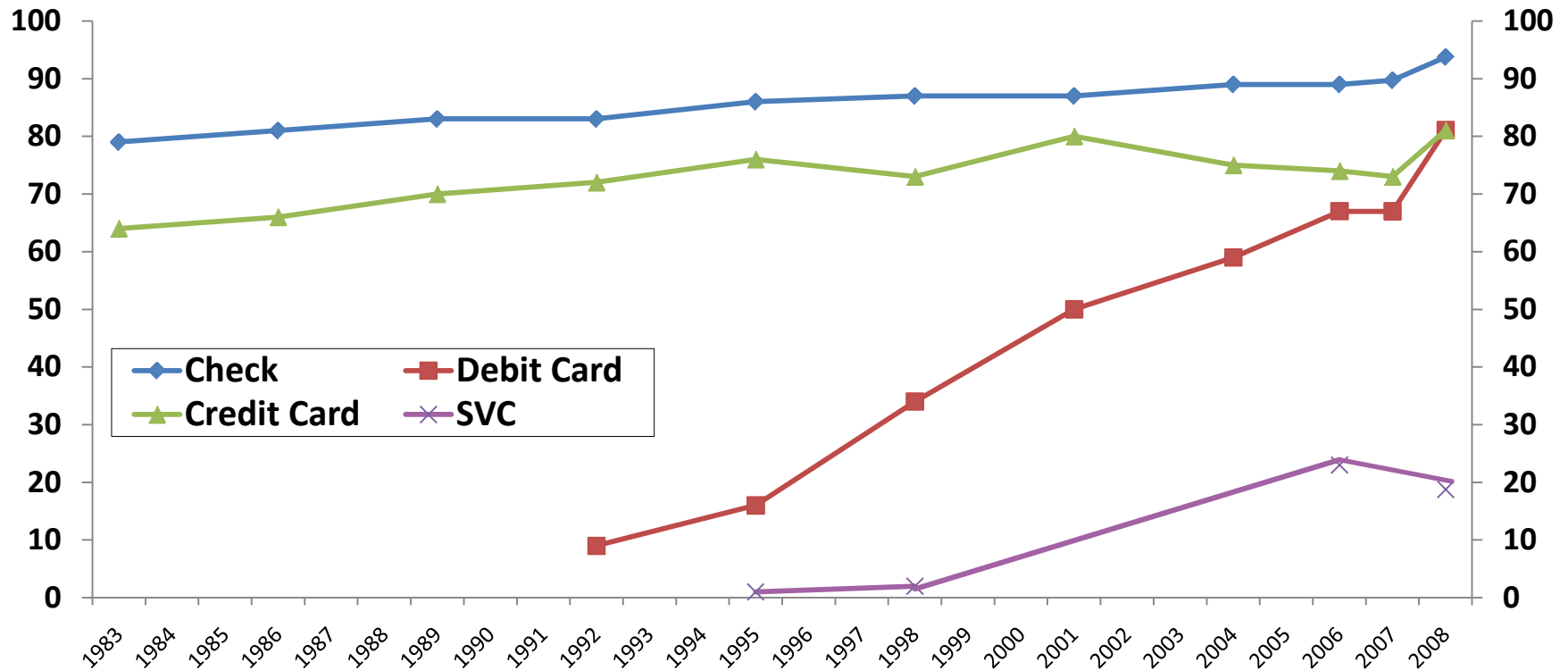
Payment Trends – Industry Perspective

Payment method share of dollar value (all merchant categories)



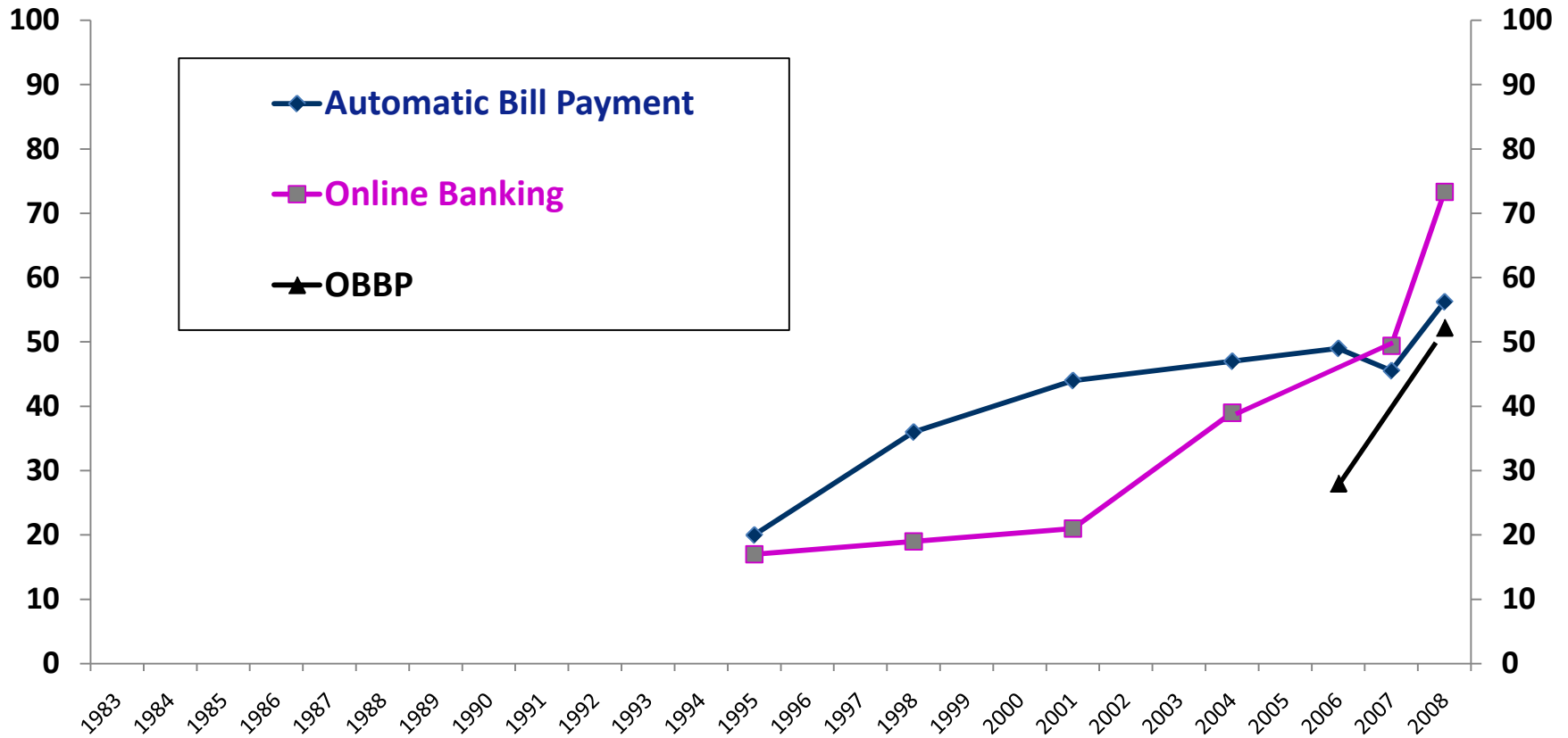
SOURCE: Visa USA Research Services. (2006) "Visa Payment Panel Study."
<http://www.bos.frb.org/economic/eprg/conferences/payments2006/papers/hampton.pdf>.

SCPC Payment Adoption Trends – Check & Card



SOURCE: Survey of Consumer Finance; 2008 Survey of Consumer Payment Choice; preliminary and unofficial statistics, subject to revision.

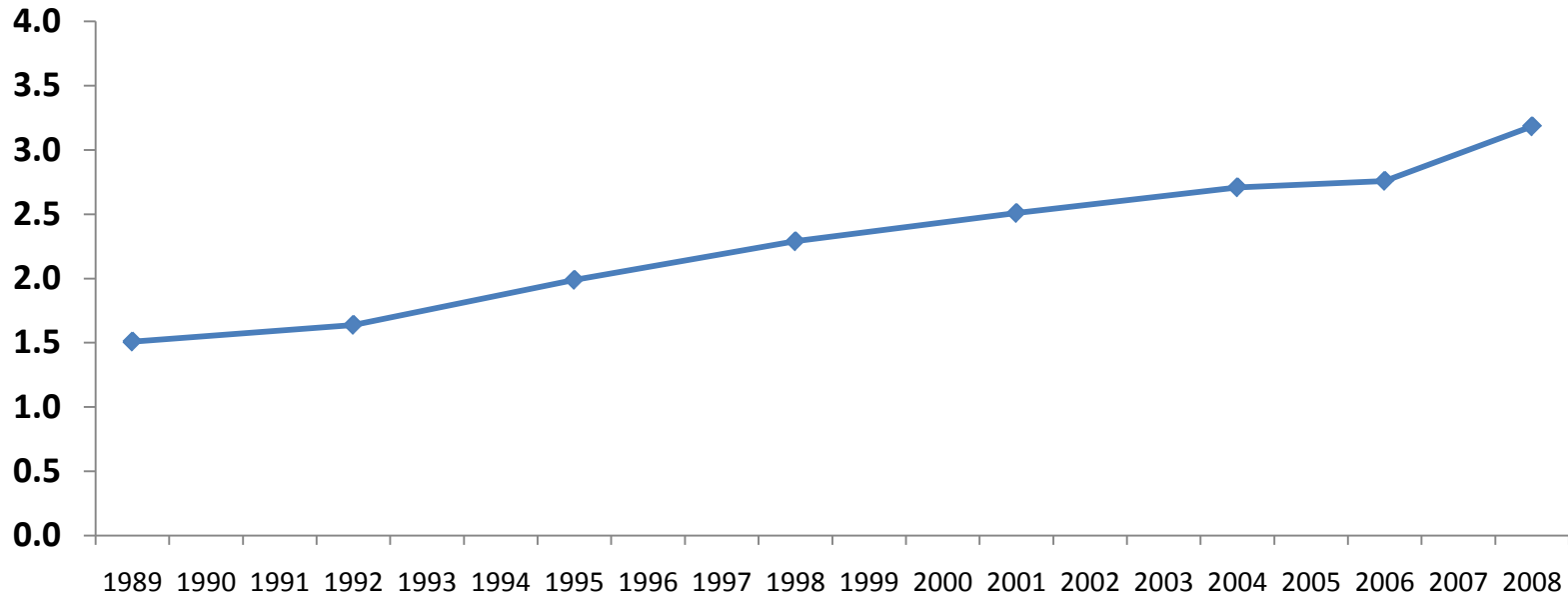
SCPC Payment Adoption Trends – Bill Pay



SOURCE: 2008 Survey of Consumer Payment Choice; preliminary and unofficial statistics, subject to revision.

SCPC Number of Payment Methods Used

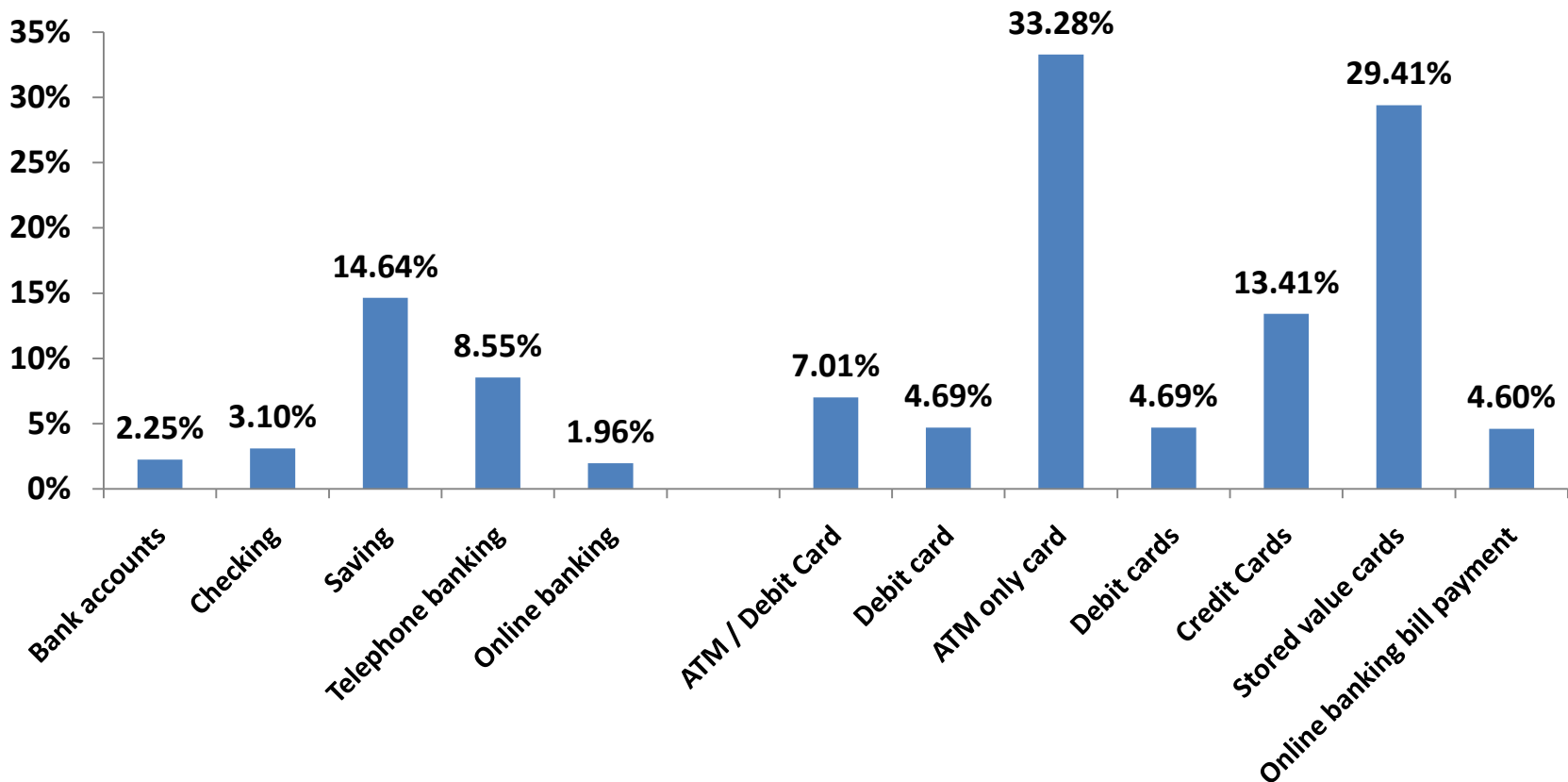
**Number of Payment Methods per Consumer
Check, Credit Card, Debit Card, ACH Auto Debit
1989-2008**



SOURCES: Survey of Consumer Finance (1989-2004) and 2006-2008 Survey of Consumer Payment Choice; preliminary and unofficial statistics, subject to revision.

SCPC - Consumers Discontinue Use of Some Payment Methods Over Time

Consumer Payment Method Discard Rate*

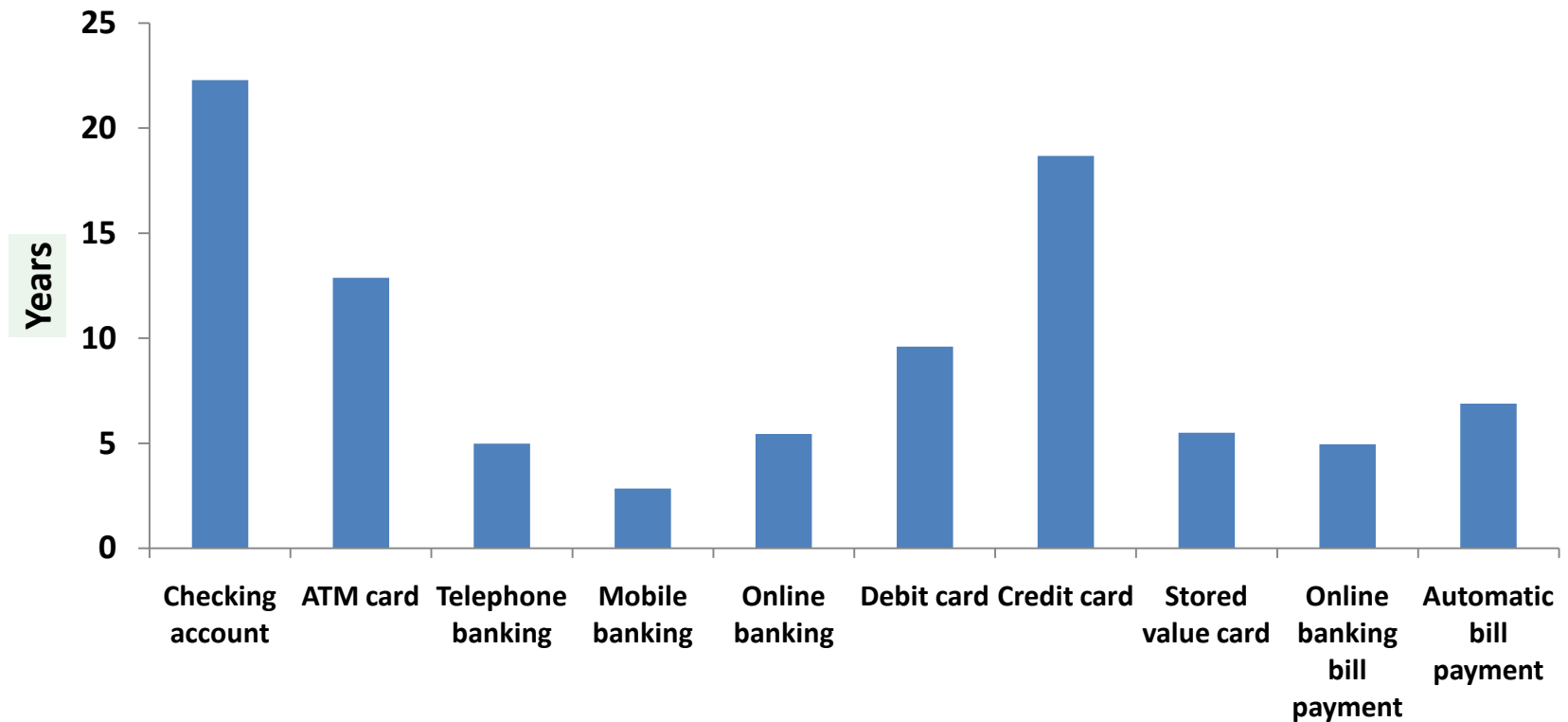


*The “discard rate” is percentage of consumers who adopted payment method in the past but did not have it in the fall of 2008.

SOURCE: 2008 Survey of Consumer Payment Choice;
preliminary and unofficial statistics, subject to revision.

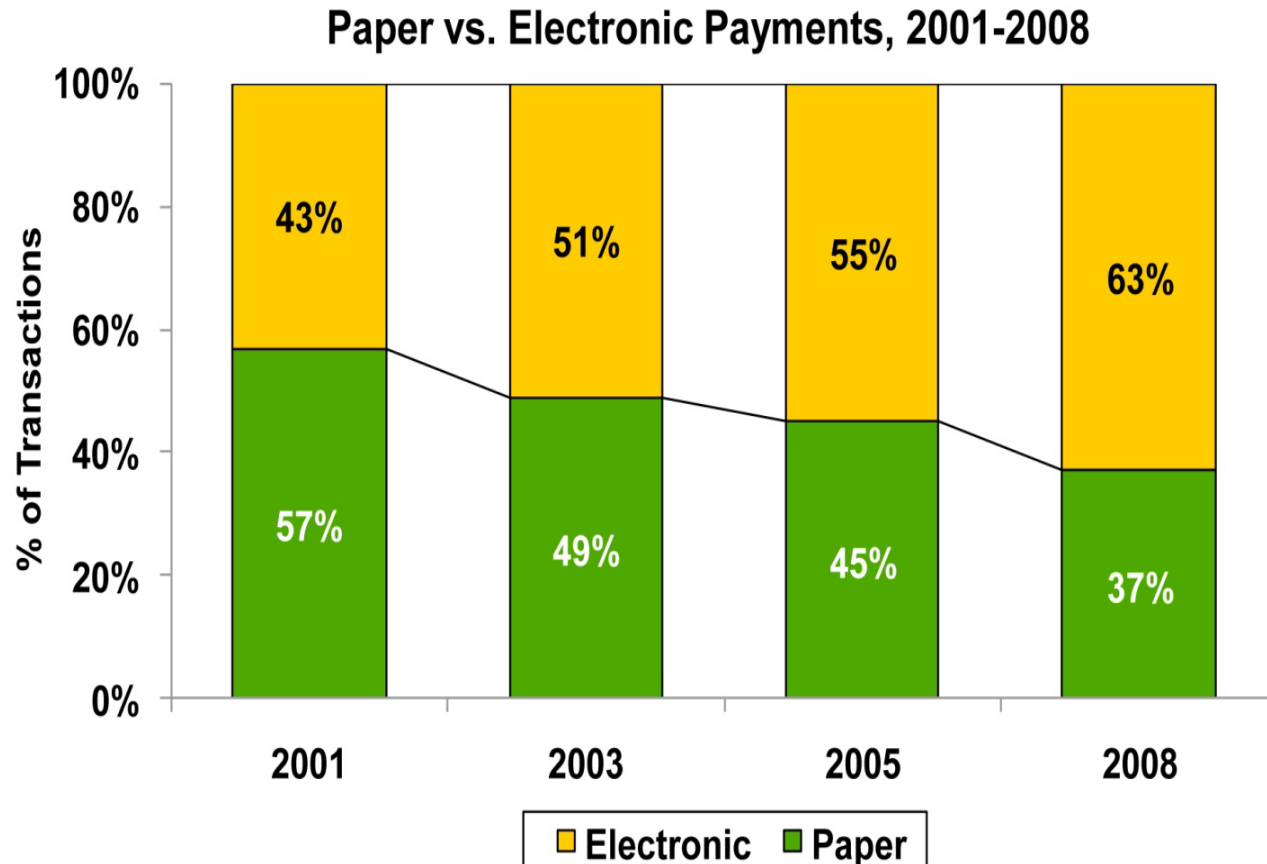
SCPC - Consumer Experience with Payment Method

Average Number of Years Since Consumer First Adopted Payment Method, 2008



SOURCE: 2008 Survey of Consumer Payment Choice; preliminary and unofficial statistics, subject to revision.

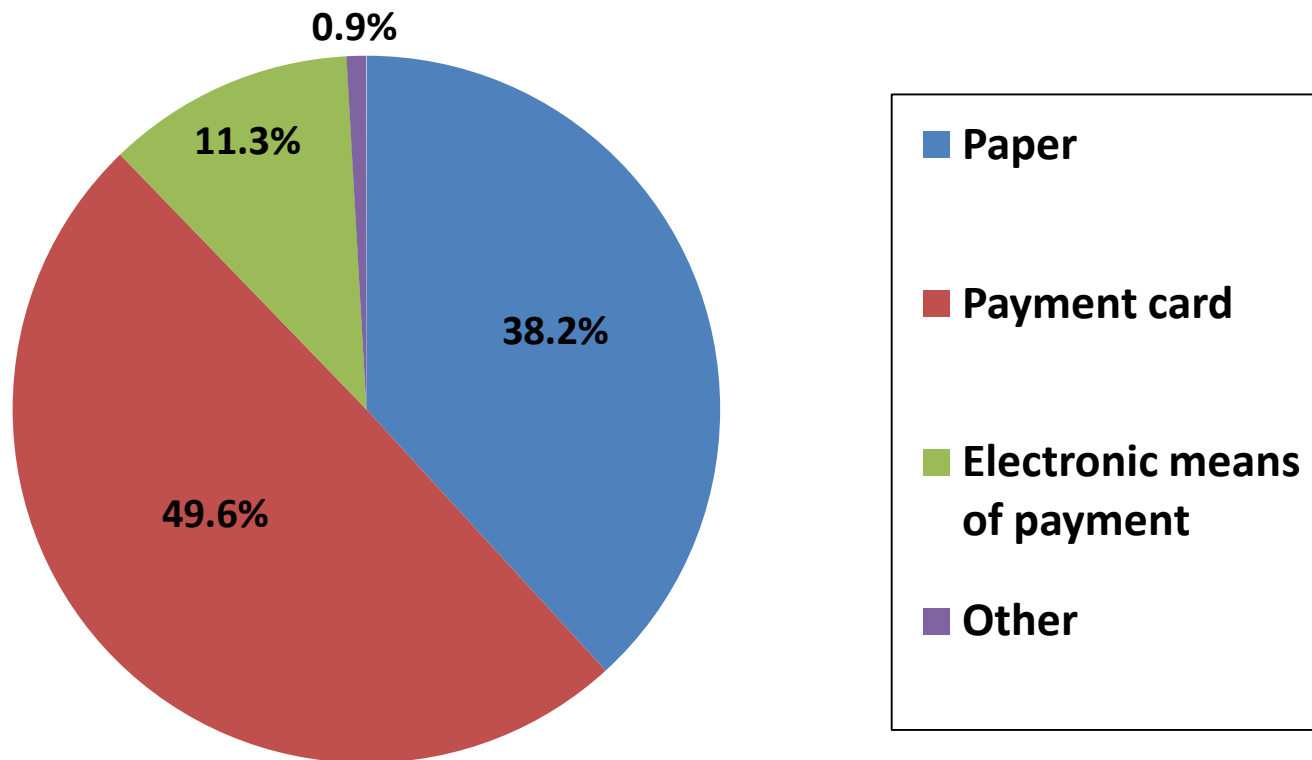
Industry - Electronic Payments Now Exceed Paper-based (Check & Cash) Payments



SOURCE: Hitachi Consulting & BAI, 2008.

SCPC Consumer Payment Use

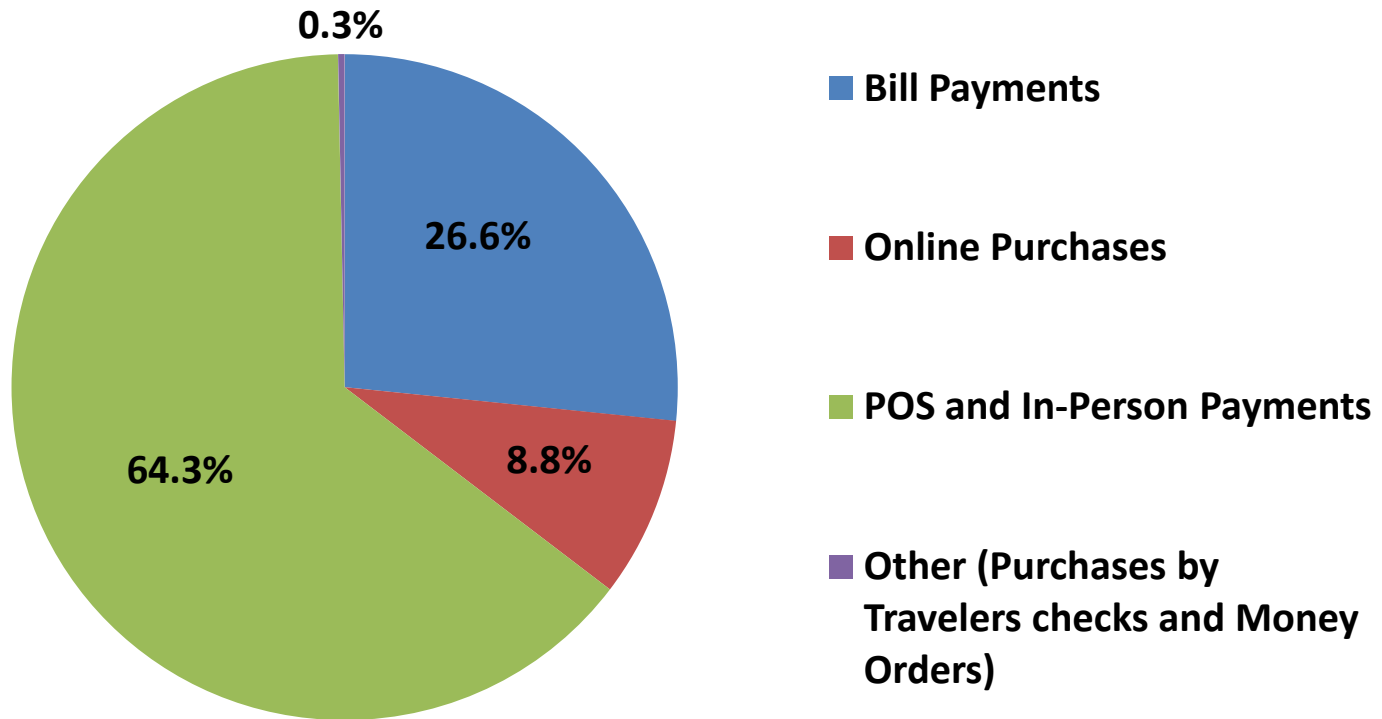
Consumer Share of Payment Volume by Payment Instrument, 2008



SOURCE: 2008 Survey of Consumer Payment Choice; preliminary and unofficial statistics, subject to revision.

SCPC Consumer Payment Use

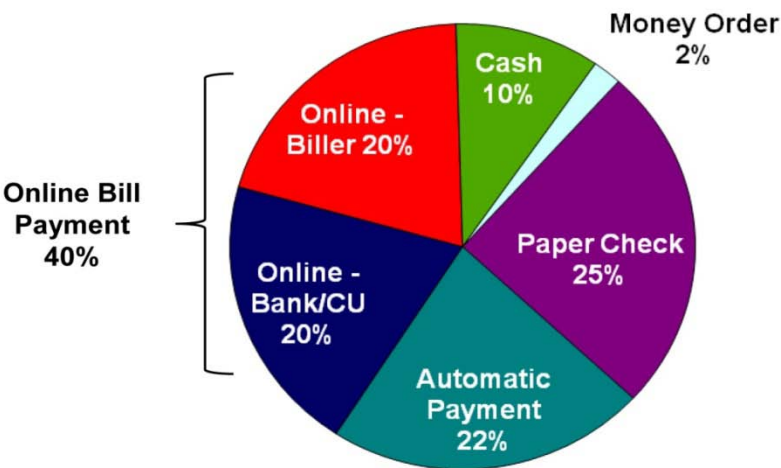
Consumer Share of Payment Volume by Transaction Type, 2008



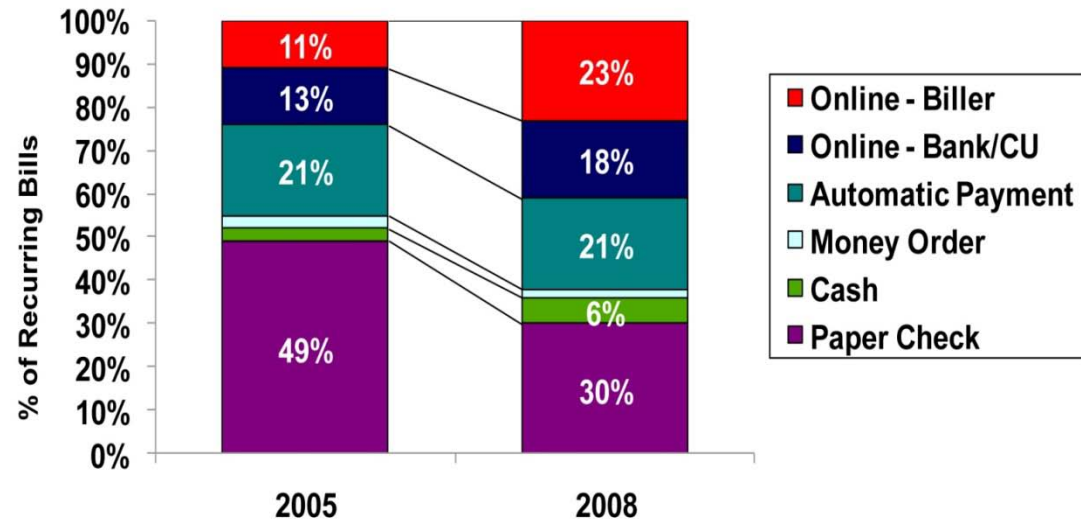
SOURCE: 2008 Survey of Consumer Payment Choice; preliminary and unofficial statistics, subject to revision.

Industry - Consumer Bill Payment Preference & Mix

Most Preferred Bill Payment Method



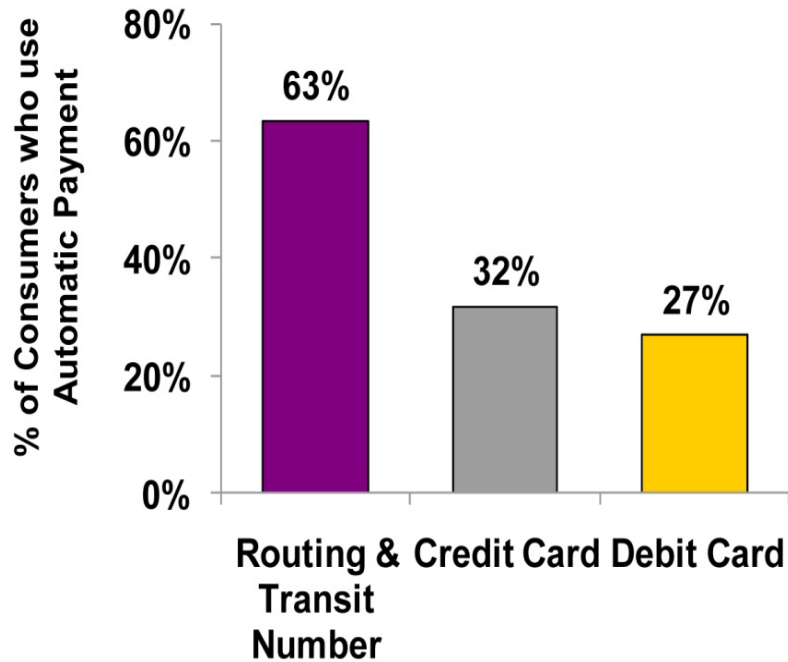
Bill Payment Mix, 2005 vs. 2008



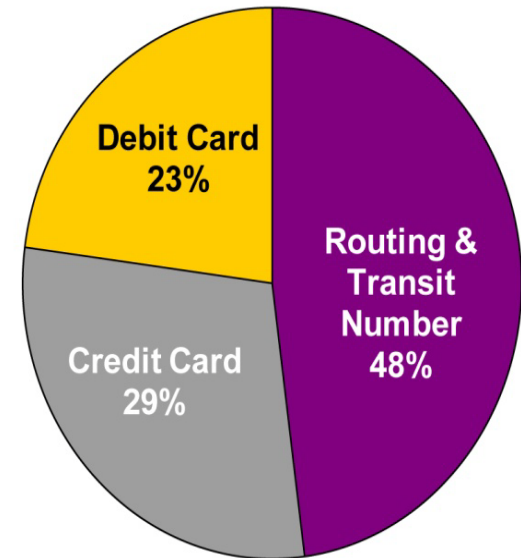
SOURCE: Hitachi Consulting & BAI, 2008.

Industry - Consumers Have Multiple Payment Options for Automatic Bill Payments

Penetration of Automatic Payment Methods



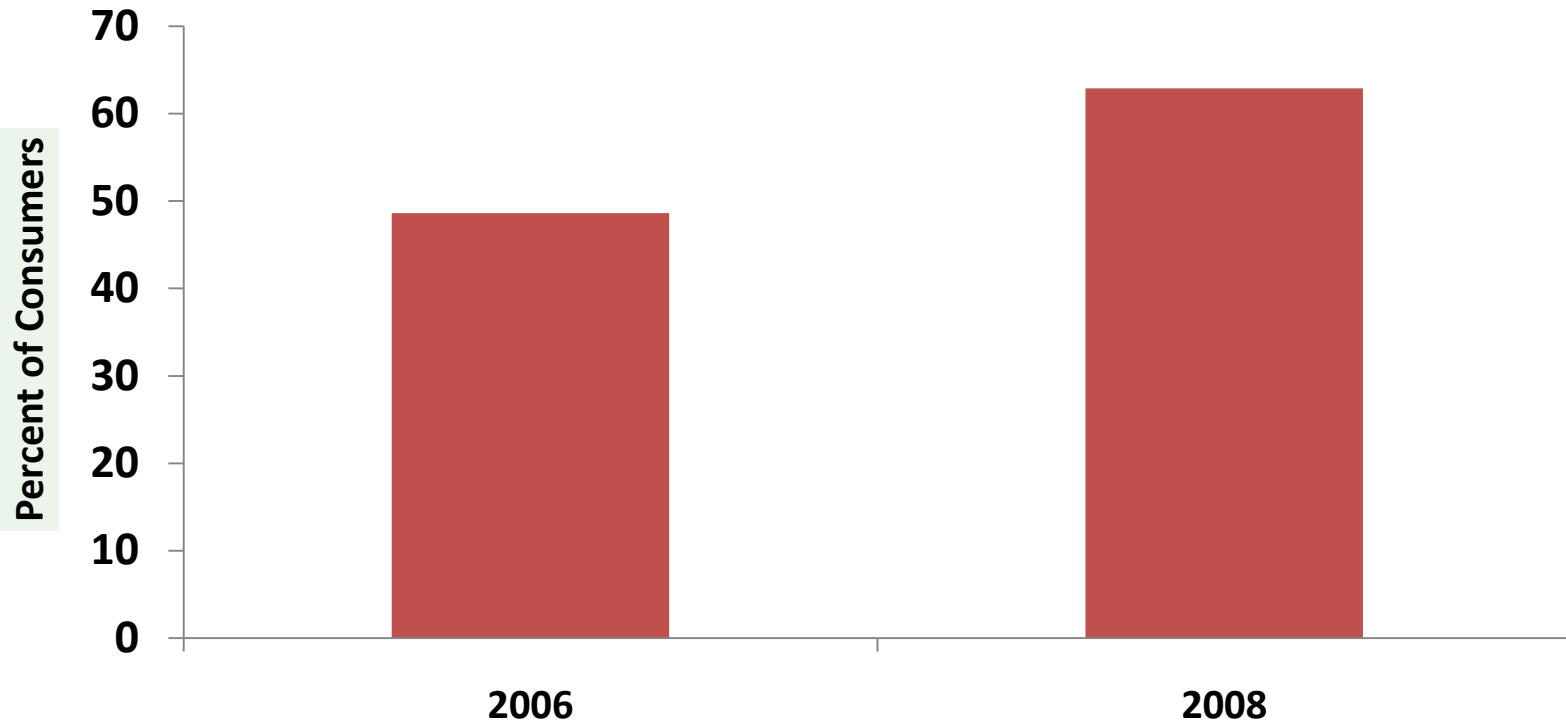
Mix of Automatic Payment Methods



SOURCE: Hitachi Consulting & BAI, 2008.

SCPC - Consumer Adoption of Automatic Bill Payment Continues to Grow

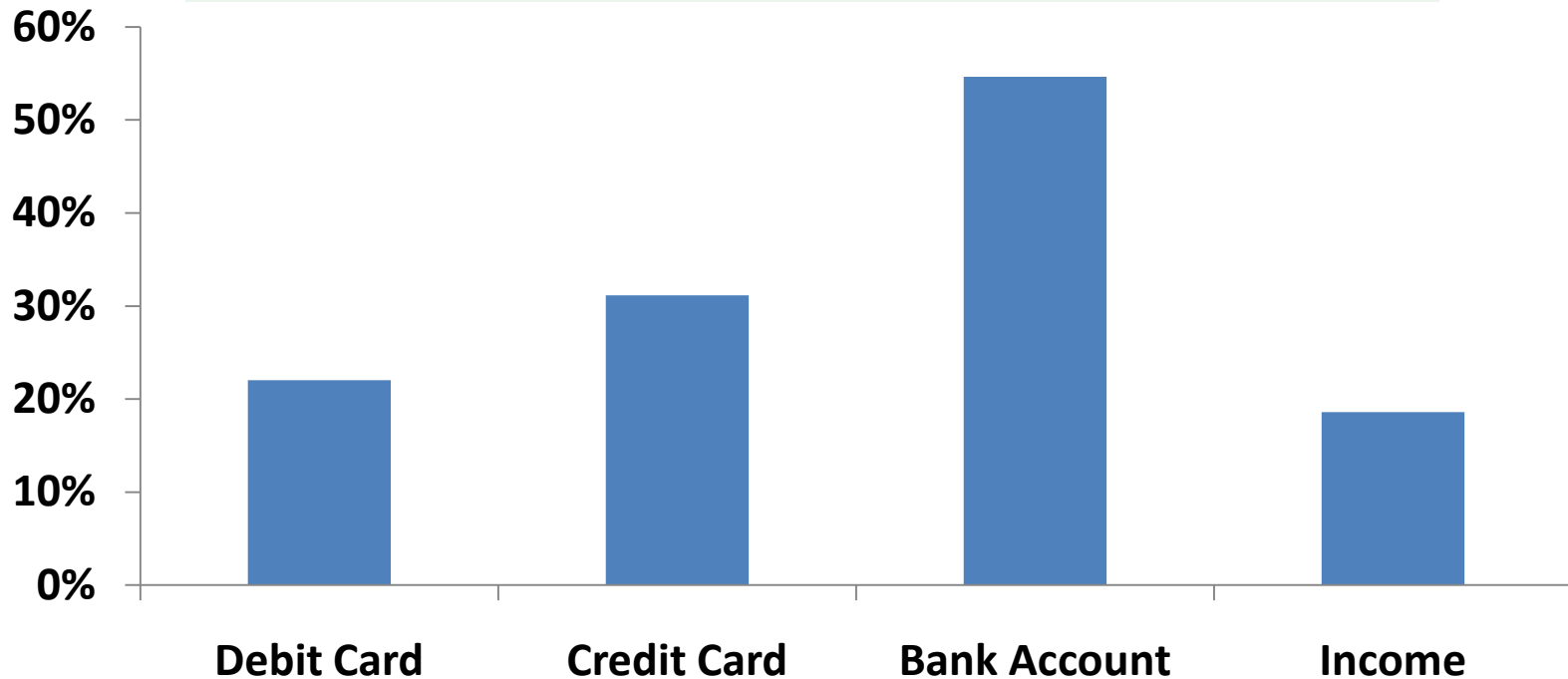
Consumer Adoption of Automatic Bill Payment (all types)



SOURCE: 2008 Survey of Consumer Payment Choice; preliminary and unofficial statistics, subject to revision.

SCPC Consumer Use of Automatic Bill Payment Methods

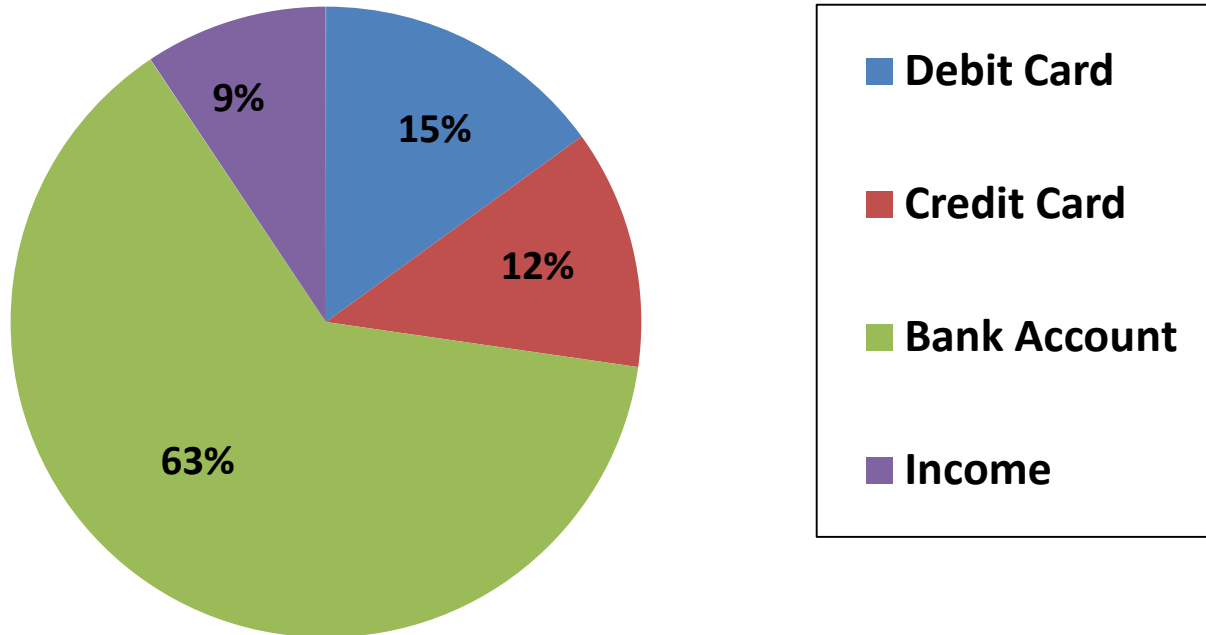
Percent of Consumers Using Automatic Bill Payment Methods, 2008



SOURCE: 2008 Survey of Consumer Payment Choice; preliminary and unofficial statistics, subject to revision.

SCPC Automatic Bill Payment Mix

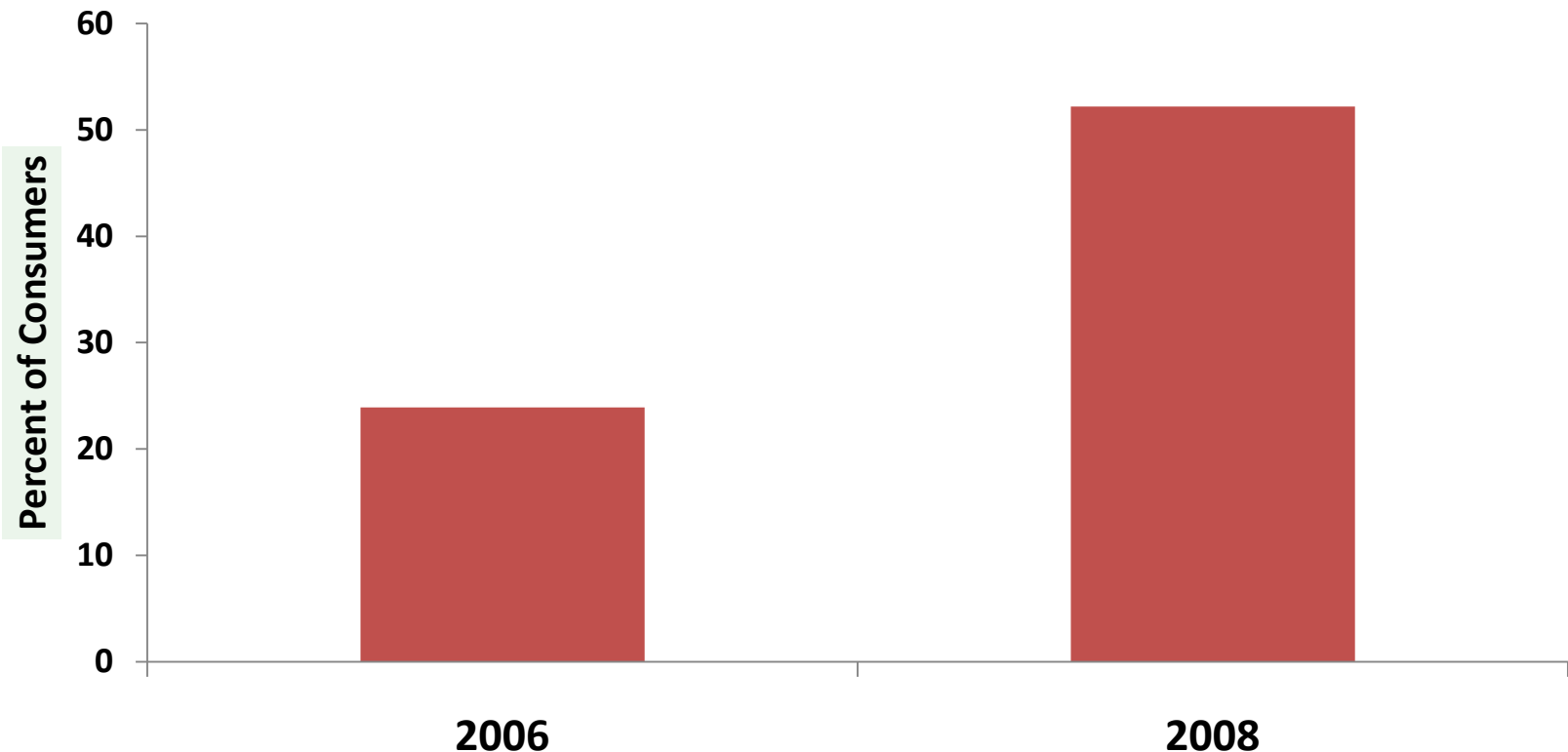
Percentage Mix of Automatic Bill Payments by Payment Method, 2008



SOURCE: 2008 Survey of Consumer Payment Choice; preliminary and unofficial statistics, subject to revision.

SCPC Online Banking Bill Payment Growth

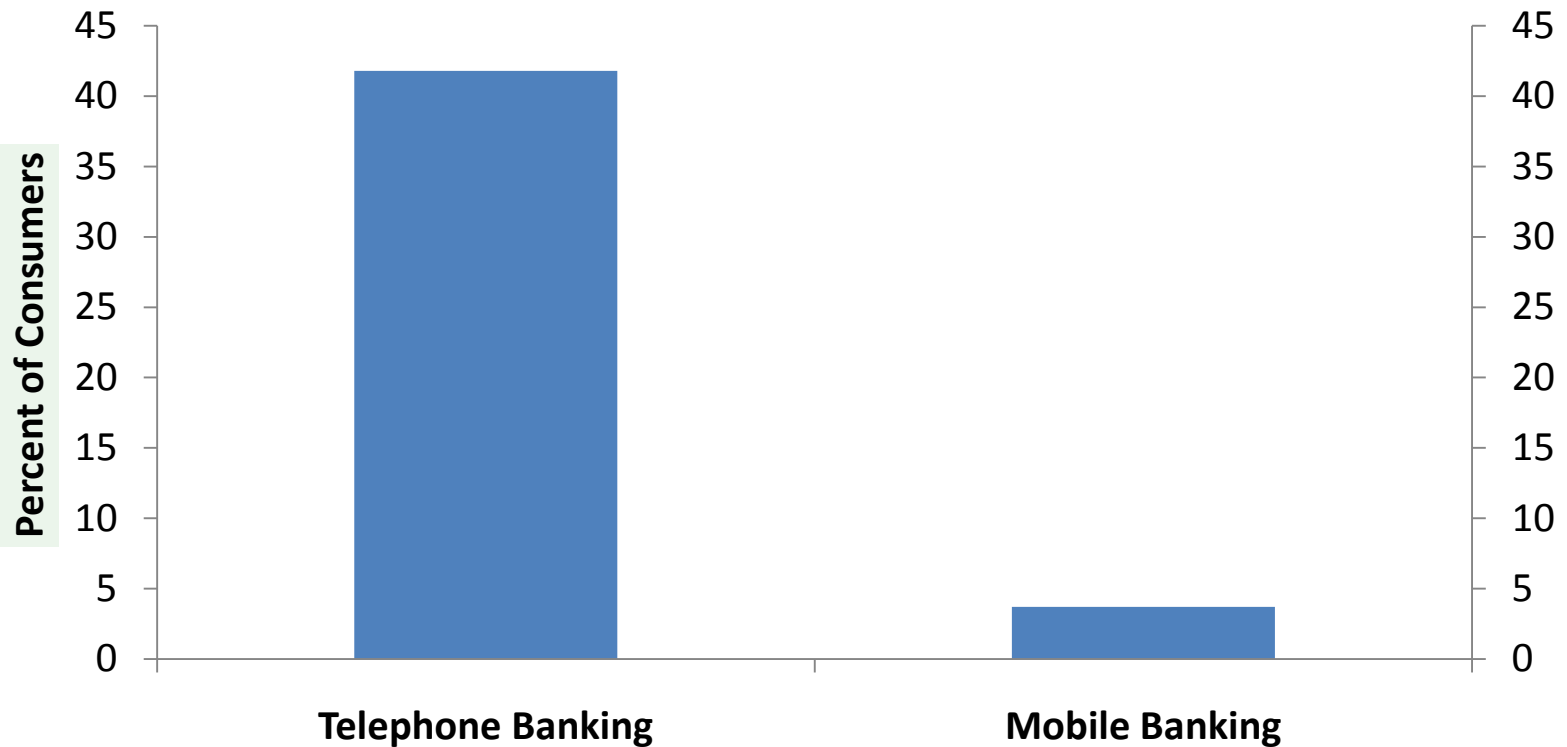
Consumer Adoption of Online Banking Bill Payment



SOURCE: 2008 Survey of Consumer Payment Choice; preliminary and unofficial statistics, subject to revision.

SCPC Banking by Phone

Consumer Access to Bank Accounts via Telephone, 2008



SOURCE: 2008 Survey of Consumer Payment Choice; preliminary and unofficial statistics, subject to revision.

SCPC Cash Use (Volume)

Percentage of Payments Made with Cash

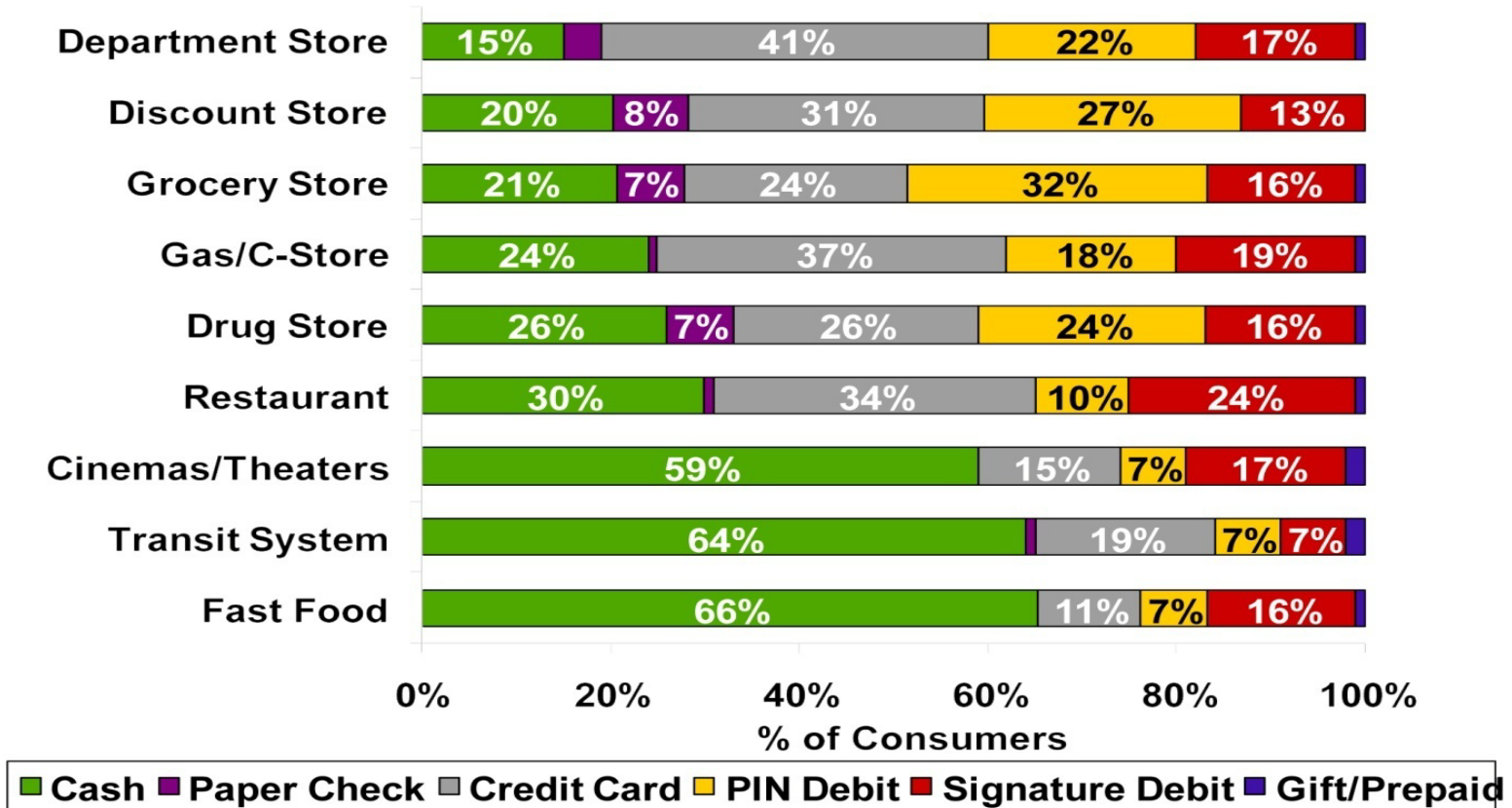
	Bill Payments mail or in person	Essential Retail Payments	Other Retail Payments	Other Non- retail Payments	All Other Payments	Total
Share of cash payments in category	12	32	26	29	0	20
Category share of total payments	10	37	14	13	25	100

SOURCE: 2008 Survey of Consumer Payment Choice; preliminary and unofficial statistics, subject to revision.

Payment category	Examples
Essential retail payments	Groceries, prescription drugs, restaurant food, gasoline
Other retail payments	General merchandise, electronics, household goods, hardware, office supplies, other
Other non-retail payments	Tolls, medical, entertainment, charitable donations, person to person payments, other
All other payments	All payments made online, bill payments, payments made by travelers checks or money orders

Industry - Cash Still Used at Most Retail Payment Venues but Declining at POS

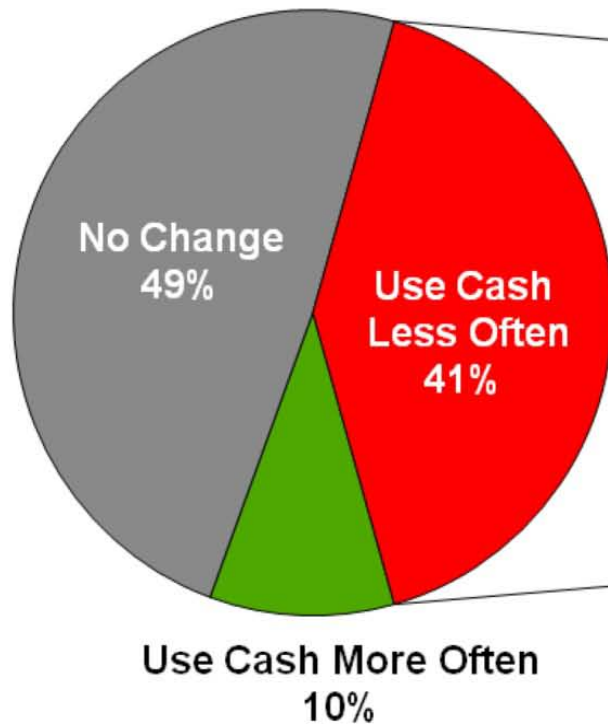
Most Frequently Used Payment Method by Retail Location



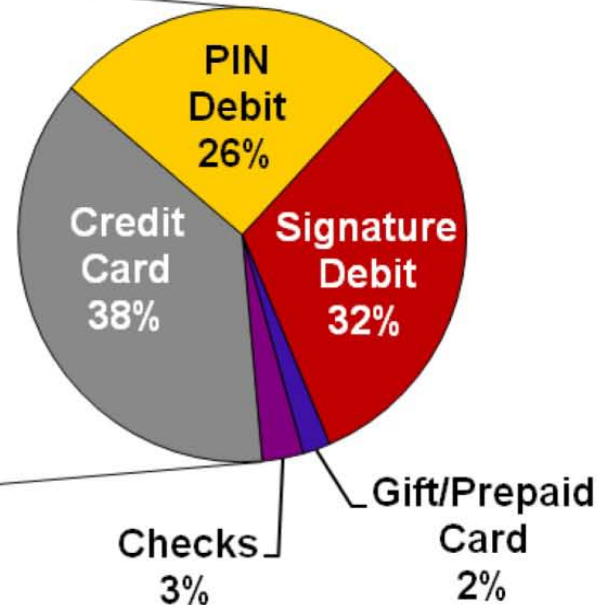
SOURCE: Hitachi Consulting & BAI, 2008.

Industry - Consumers Substitute Other Payment Methods for Cash

Historical Change in Cash Usage



Cash Substitutes



SOURCE: Hitachi Consulting & BAI, 2008.

SCPC - How Much Cash Does a Consumer Carry?

Average Cash Holdings and Withdrawals

Current Cash Holdings			Typical Cash Withdrawals		
Total (\$)	On Person (\$)	Other (\$)	Monthly Amount (\$)	Typical Amount (\$)	Monthly Frequency (#)
283	69	180	511	122	5.1

SOURCE: 2008 Survey of Consumer Payment Choice; preliminary and unofficial statistics, subject to revision.

SCPC - Cash Withdrawals

Withdrawal LOCATIONS where consumers get cash most often - %

	ATM	Bank Teller	Check Cashing Store	Retail or Grocery Store	Employer	Family	Other
1 st Choice	59	22	1	11	5	1	0
2 nd Choice	14	50	2	25	2	4	1
3 rd Choice	8	51	2	22	6	9	1

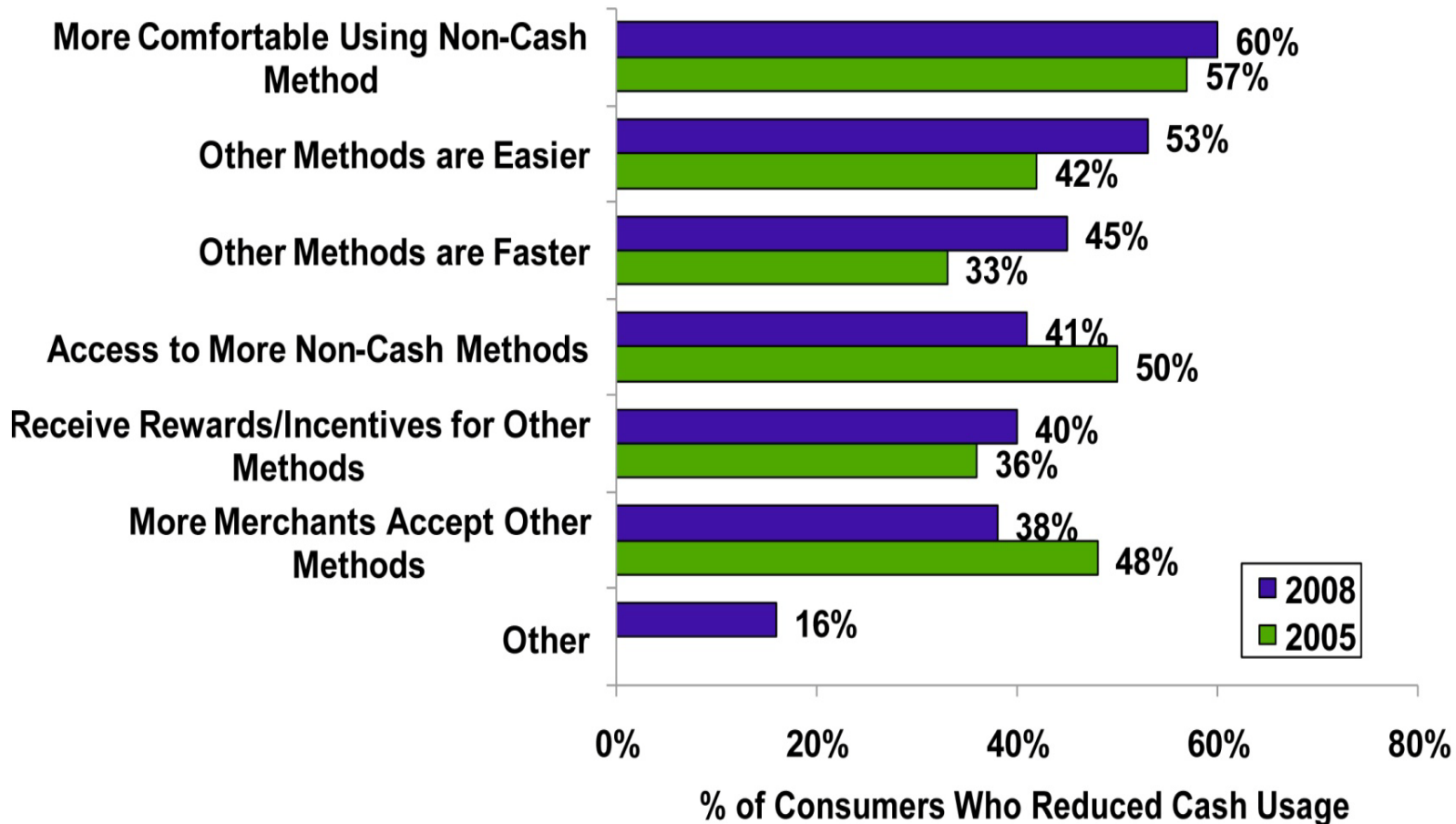
Withdrawal METHODS consumers use to get cash most often – %

	ATM or Debit card	Account withdrawal	Cash personal check	Cash paycheck	Cash back from debit card	Paid by employer in cash	Unknown
1 st Choice	59	11	6	11	9	2	1
2 nd Choice	14	37	13	7	22	1	5
3 rd Choice	8	25	24	12	18	1	10

SOURCE: 2008 Survey of Consumer Payment Choice; preliminary and unofficial statistics, subject to revision.

Industry – Why is Cash Use Declining?

Reasons for Reducing Cash Usage



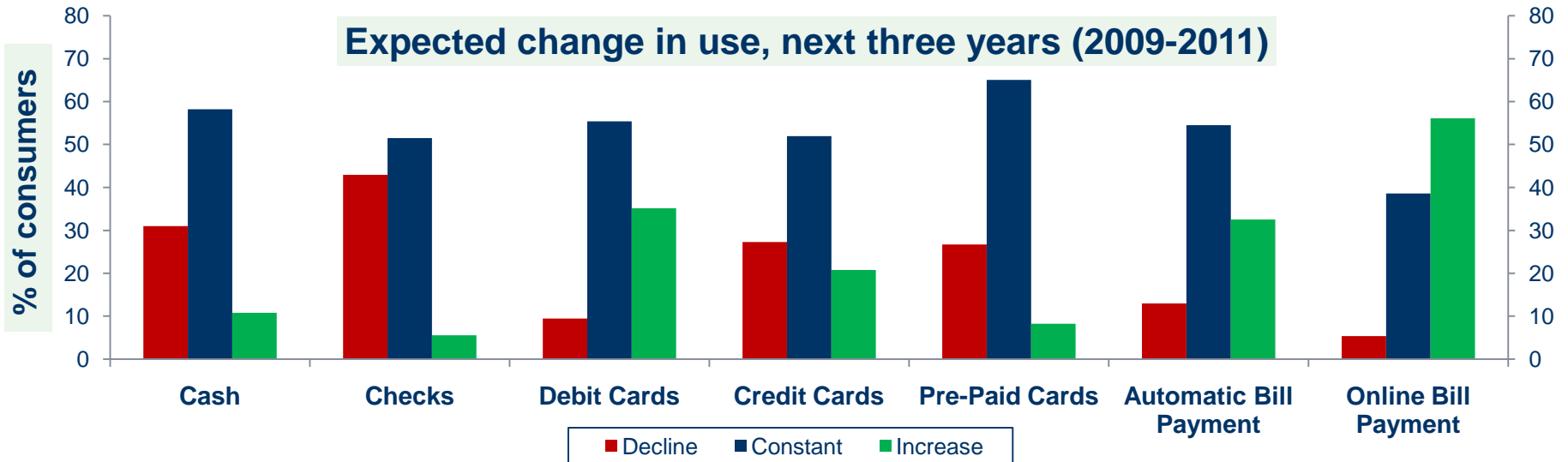
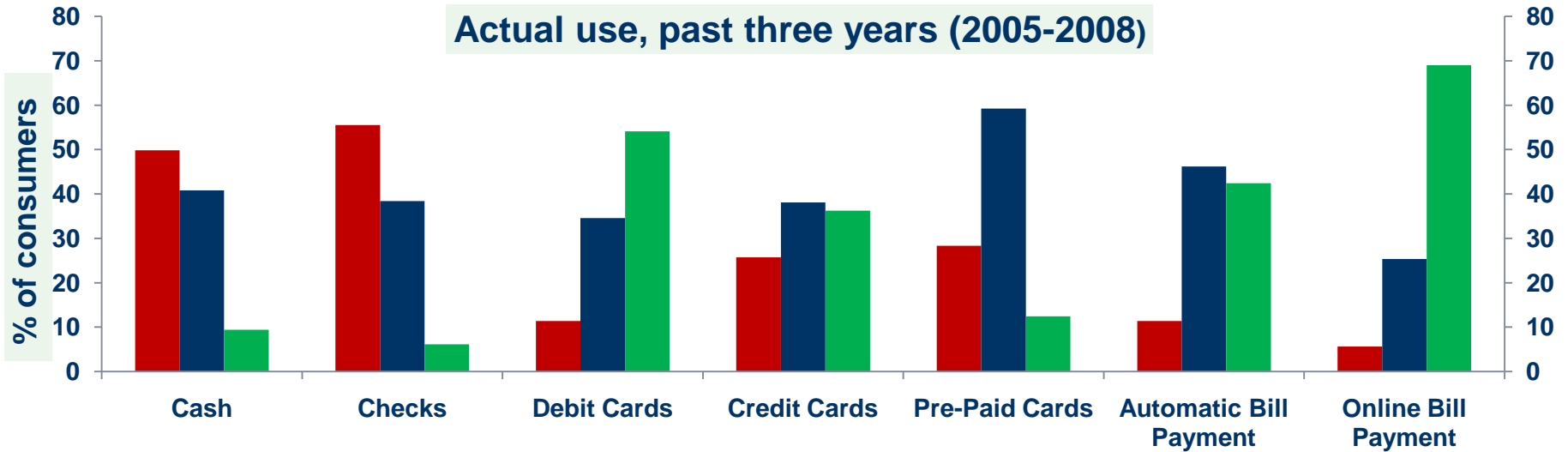
SCPC - How Consumers Rate Payment Method Characteristics

	PAYMENT Acceptance	Acquisition & Setup	Control over Payment	COST	Ease of Use	Record-keeping	Security	Speed	AVG of All CHARs.
Cash	4.6	4.4	4.0	4.5	4.2	2.4	2.5	4.4	3.9
Check	3.6	3.8	3.2	3.8	3.4	4.2	2.9	2.9	3.5
Debit card	4.3	3.9	3.7	3.9	4.3	4.0	2.9	4.1	3.9
Credit card	4.6	3.7	3.6	2.8	4.4	4.3	3.0	4.1	3.8
Stored value card	3.8	3.4	3.4	3.3	3.7	2.9	2.6	3.8	3.4
Electronic account deduction	3.1	3.3	3.7	3.8	3.7	4.0	3.3	3.8	3.6
AVG of All Pay Meth.	4.0	3.8	3.6	3.7	3.9	3.6	2.9	3.8	3.7

NOTE: Ratings are on a 5-point scale (1 is lowest, 5 is highest)

SOURCE: 2008 Survey of Consumer Payment Choice; preliminary and unofficial statistics, subject to revision.

SCPC Summary - Change in Payment Use Past & Future



SCPC Production Schedule

- 2009
 - 2008 aggregate data released (Summer)
 - 2009 revised SCPC implemented (Fall)
 - 2008 data by demographics released (Winter)
- 2010
 - 2009 data released (Spring)
 - 2008-2009 micro data released (Summer)
 - 2010 revised SCPC implemented (Fall)
- 2011 and beyond – TBD

More information

To download this presentation and SCPC data later this year, or for more information about:

Consumer Payments Research Center
Federal Reserve Bank of Boston

visit our web site:

<http://www.bos.frb.org/economic/eprg/index.htm>

QUESTIONS?