

# Survey of Consumer Payment Choice: Preliminary Results for 2008

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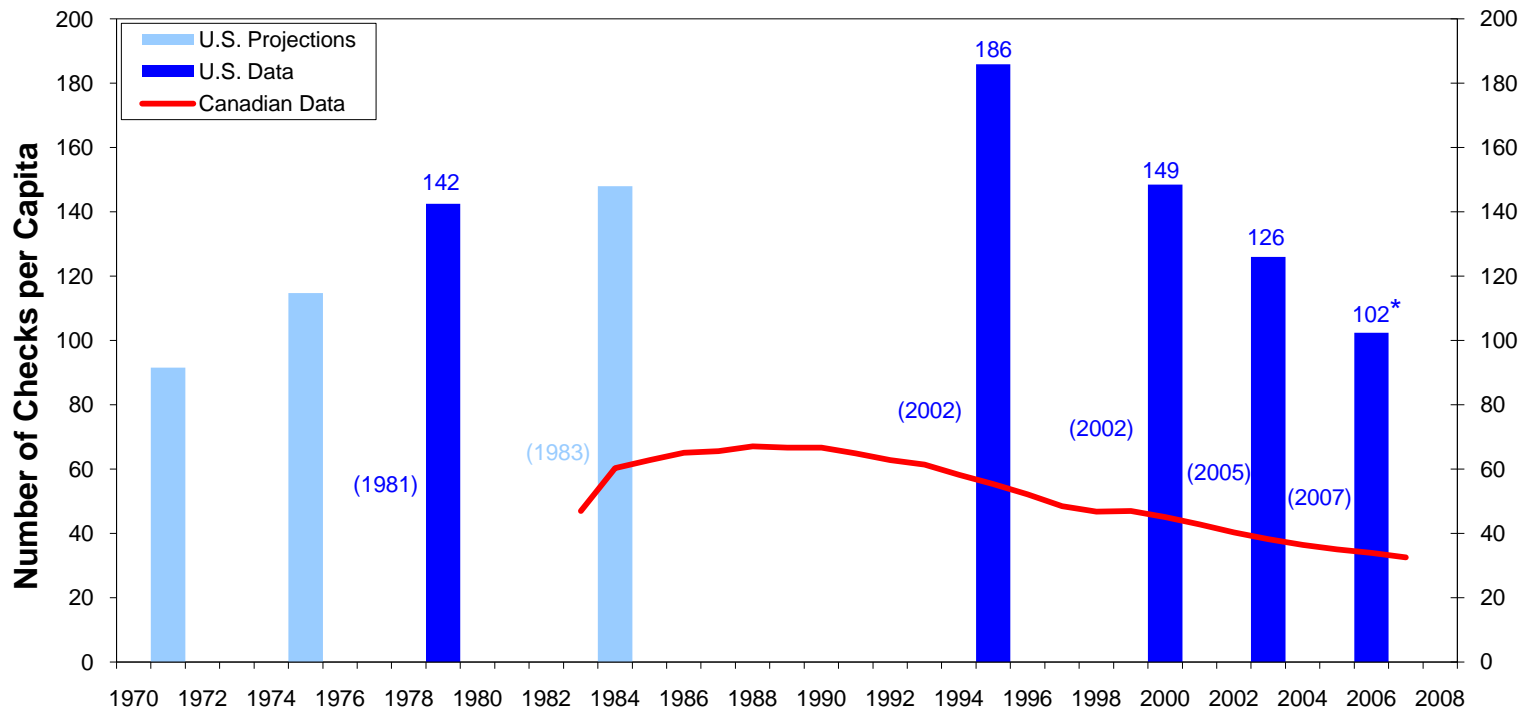
Presented at the NEACH Western Forum, "Trends in  
Consumer and Small Business Payments:  
Preferences and Best Practices," Springfield, MA

# Presentation overview

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- Motivation for payment choice data
- Summary of the SCPC program
- Some preliminary new results for 2008
- Future survey plans

# Checks – public data



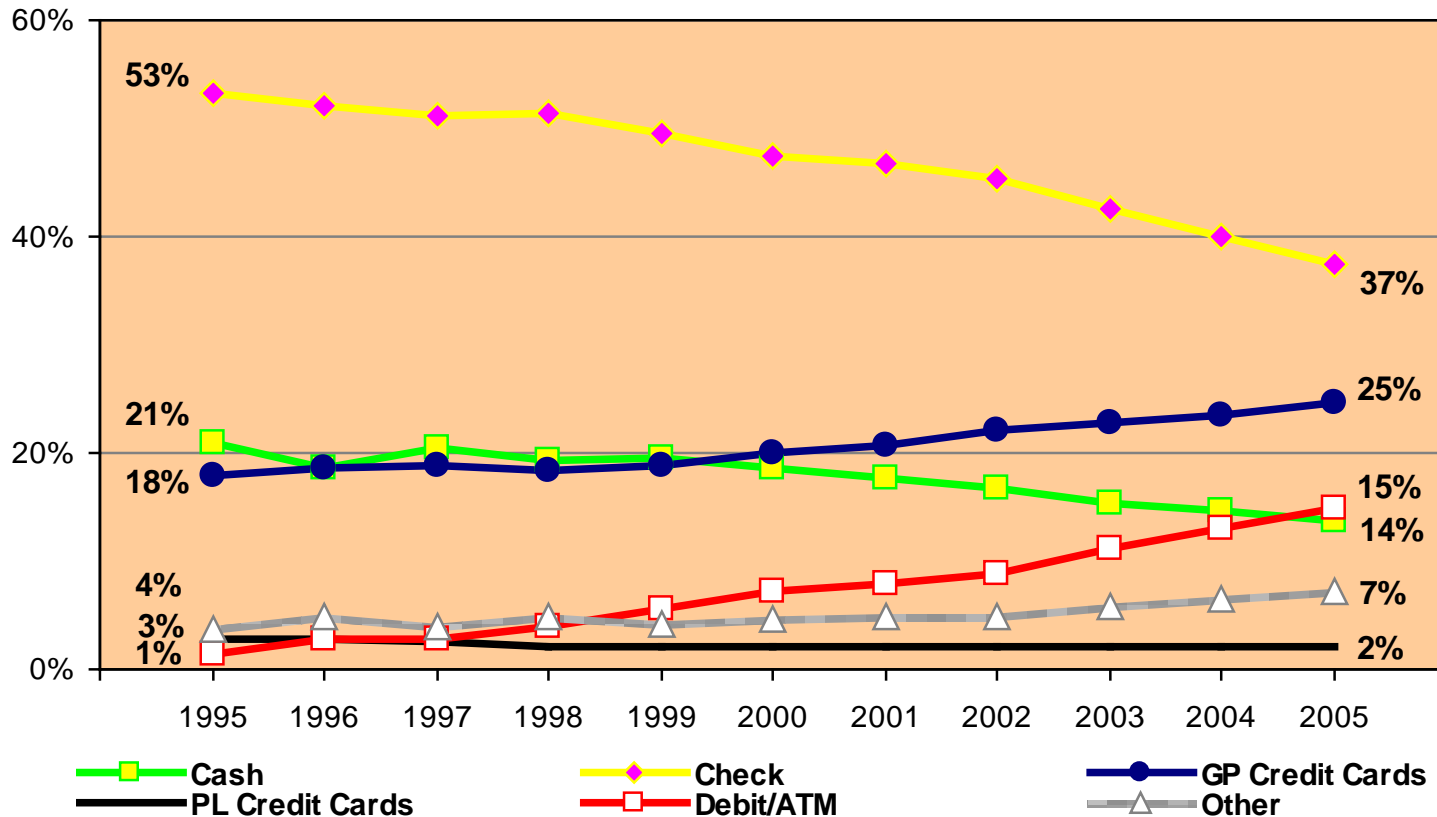
SOURCES: U.S. data: Federal Reserve Bank of Atlanta (1981, 1983); Federal Reserve System (2002, 2004); Gerdes and Walton (2002); Gerdes, Liu, Parke, and Walton (2005); Gerdes (2008); Benton, Blair, Crowe, and Schuh (2007).

Canadian data: Automated Clearing Settlement System (ACSS) Clearing Exchange Report (2008).

\*The 2006 U.S. number excludes paper checks written and converted to ACH, which were included in earlier years.

# Checks – private data

Payment method share of dollar value (all merchant categories)



SOURCE: Visa USA Research Services. (2006) "Visa Payment Panel Study." Page 9.  
<http://www.bos.frb.org/economic/eprg/conferences/payments2006/papers/hampton.pdf>.

# Need for public data

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- Private data limitations
  - Often statistically weak or can't tell
  - Proprietary or prohibitively expensive
- Public data advantages
  - Relatively unbiased, public good
  - Lots of technical & research expertise (CB's)

# Primary SCPC objectives

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- Aggregate time series data
  - U.S. payment market trends/conditions (macro)
- Individual longitudinal data
  - Consumer/household payment choice (micro)

# SCPC priorities

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- Breadth over depth (measurement)
  - All payment methods for each consumer but...
  - ... not all aspects of each payment method
- Representation over convenience (sample)
  - All U.S. consumers
- Dynamics over statics (panel)
  - All time periods for each consumers

# SCPC development, 2003-2008

	2003	2004	2006	2008
<b>Sponsor</b>	Fed	Fed	AARP and Fed	Boston Fed and RAND
<b>Sample</b>	Employees of the Federal Reserve Bank of	Employees of the Federal Reserve System	consumers	U.S. consumers
<b>Observations</b>	520	4,597	1,500	1,010
<b>Method</b>	Paper and online	Paper and online	Telephone interview	Boston Fed and RAND
<b>Outline of Questions in Order of Appearance in the Survey</b>	<p><b>Financial responsibility</b> [1] Check writing behavior [8]</p> <p><b>Use I</b> [1] Reasons for no use [8] Change in use [1] Reasons for switching [5] Payment locations [5]</p> <p><b>Payment characteristics</b> [4]</p> <p><b>Use II</b> Check conversion [3] Payments by amount [2] Types of bill payments [2]</p> <p><b>Demographics</b> [4]</p>	<p><b>Financial responsibility</b> [1] Check writing behavior [7]</p> <p><b>Adoption</b> [1]</p> <p><b>Use I</b> [1] Reasons for no use [8] Change in use [1] Reasons for switching [5] Payment locations [5]</p> <p><b>Payment characteristics</b> [5]</p> <p><b>Use II</b> Check conversion [11] Payments by amount [2] Types of bill payments [2]</p> <p><b>Demographics</b> [5]</p>	<p><b>Financial responsibility</b> [1]</p> <p><b>Adoption</b> [2] Check writing behavior [1] Reasons for no adoption [4]</p> <p>Employment, paycheck, &amp; internet questions [16]</p> <p><b>Use I</b> [2] Reasons for no use [6] Change in use [1] Bill payment choices [1]</p> <p><b>Payment characteristics</b> [7]</p> <p><b>Use II</b> Check conversion [15] Payment decisions by amount [3]</p> <p><b>Demographics</b> [10]</p>	<p><b>Financial responsibility</b> [1]</p> <p><b>Payment characteristics</b> [12] <b>Adoption</b> [28]</p> <p><b>Use</b> [21] Change in use Check conversion Types of bill payments</p> <p><b>History</b> [18]</p> <p><b>Demographics</b> [18]</p> <p>My Household Questionnaire [24]</p>

NOTES: Number in brackets [] is the number of questions appearing in the section.



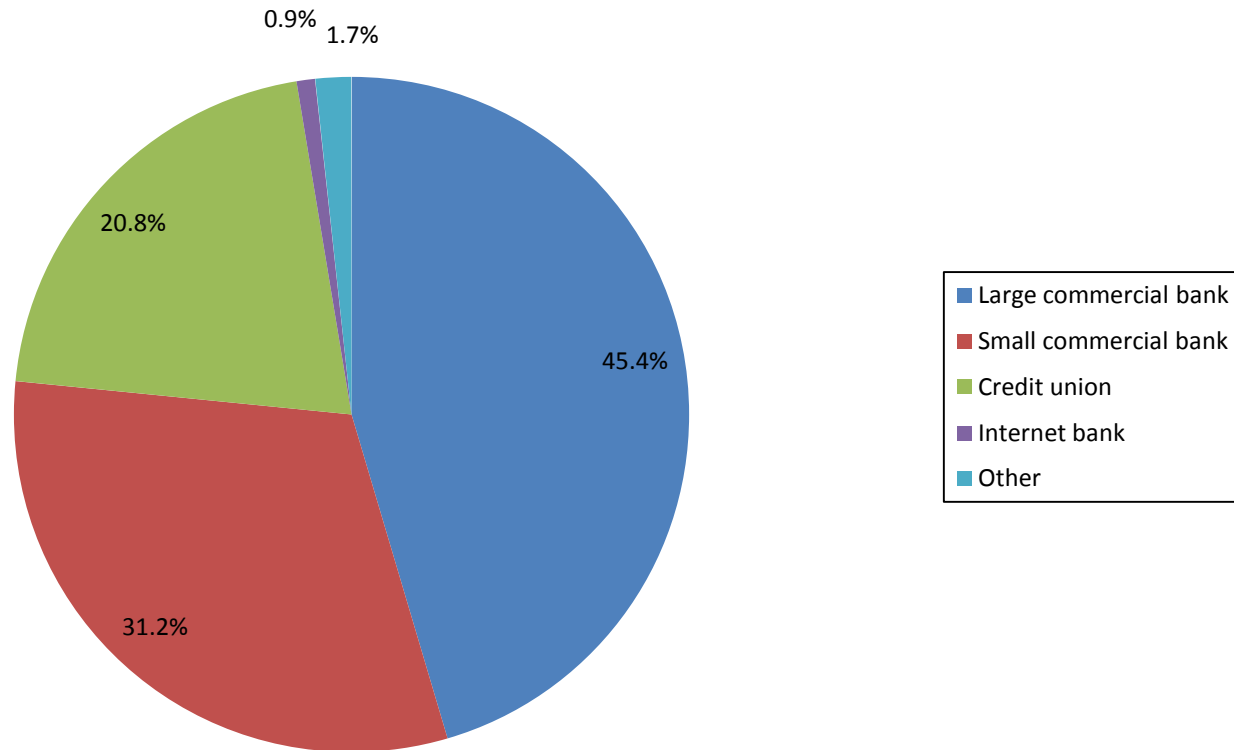
# 2008 SCPC: Implementation

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- 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 (cost based)
  - Internet/TV survey (technology provided)
  - Mean response time 34 minutes

# Primary checking account

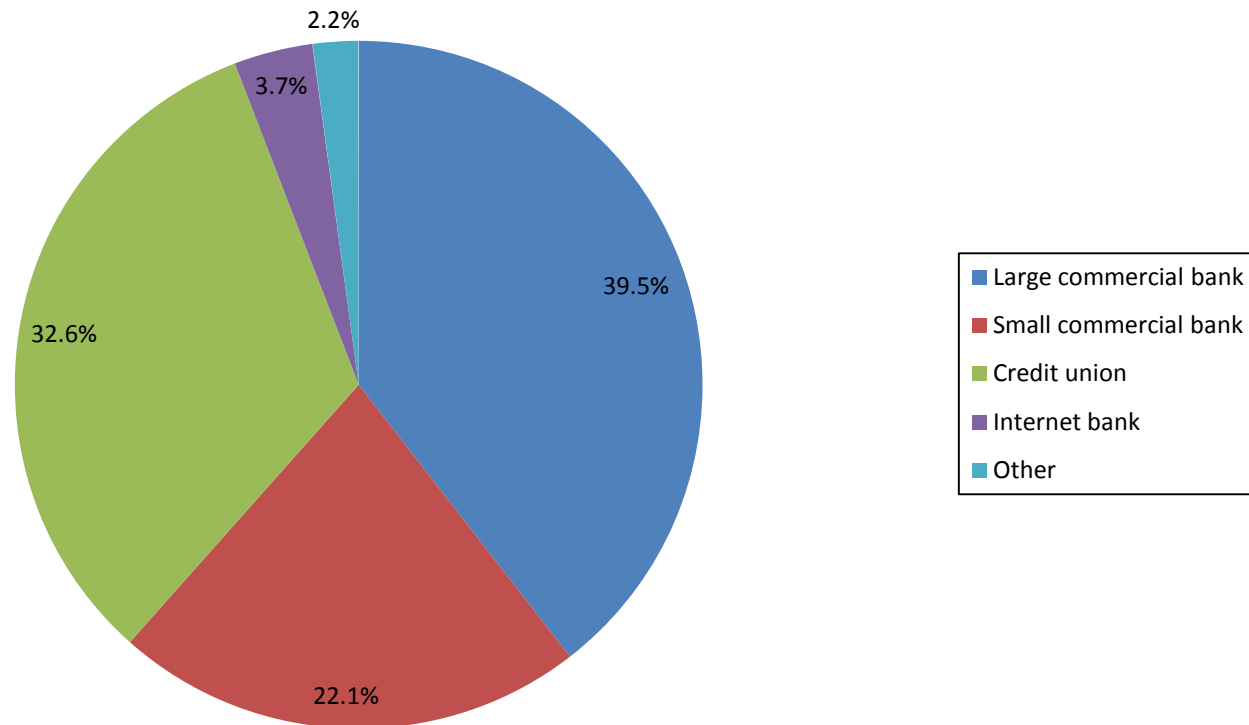
Account by type of financial institution, 2008



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

# Primary savings account

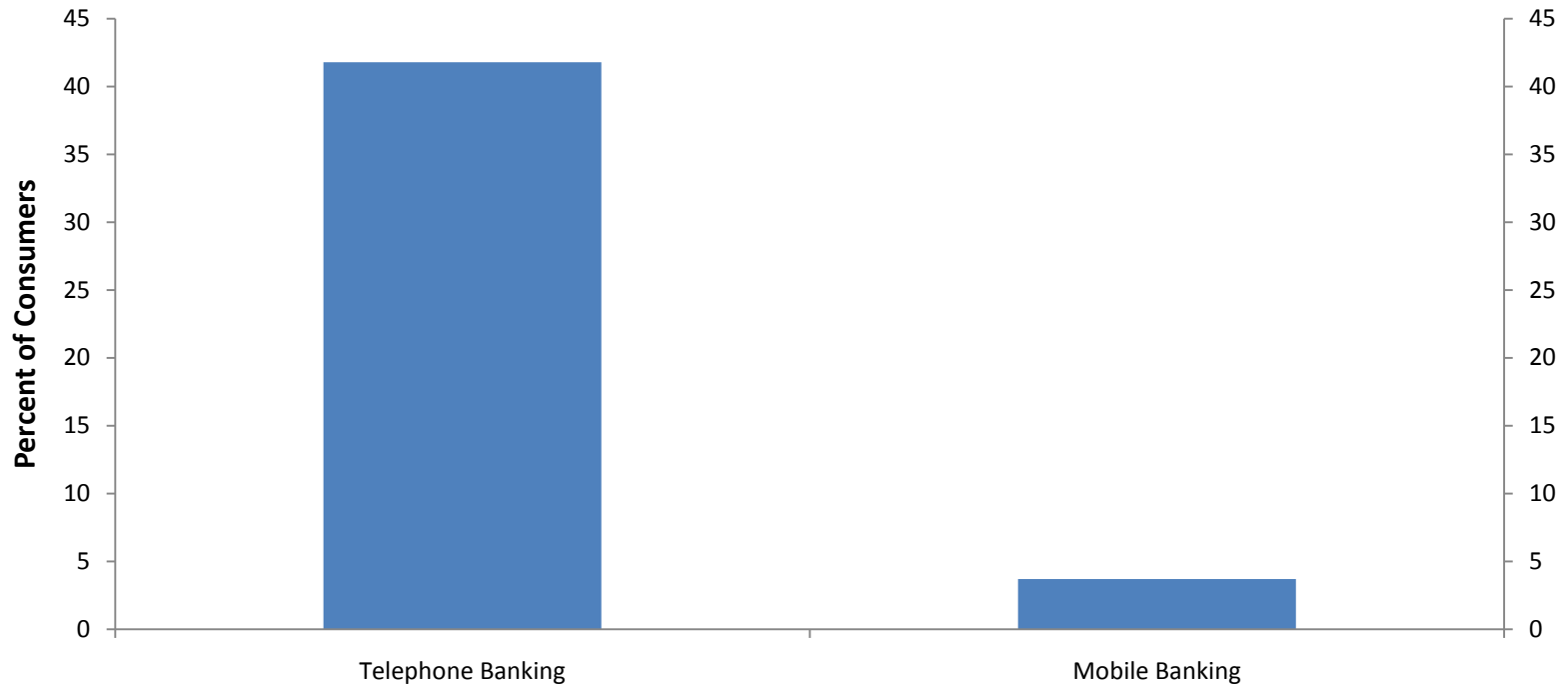
Account by type of financial institution, 2008



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

# Banking by phone

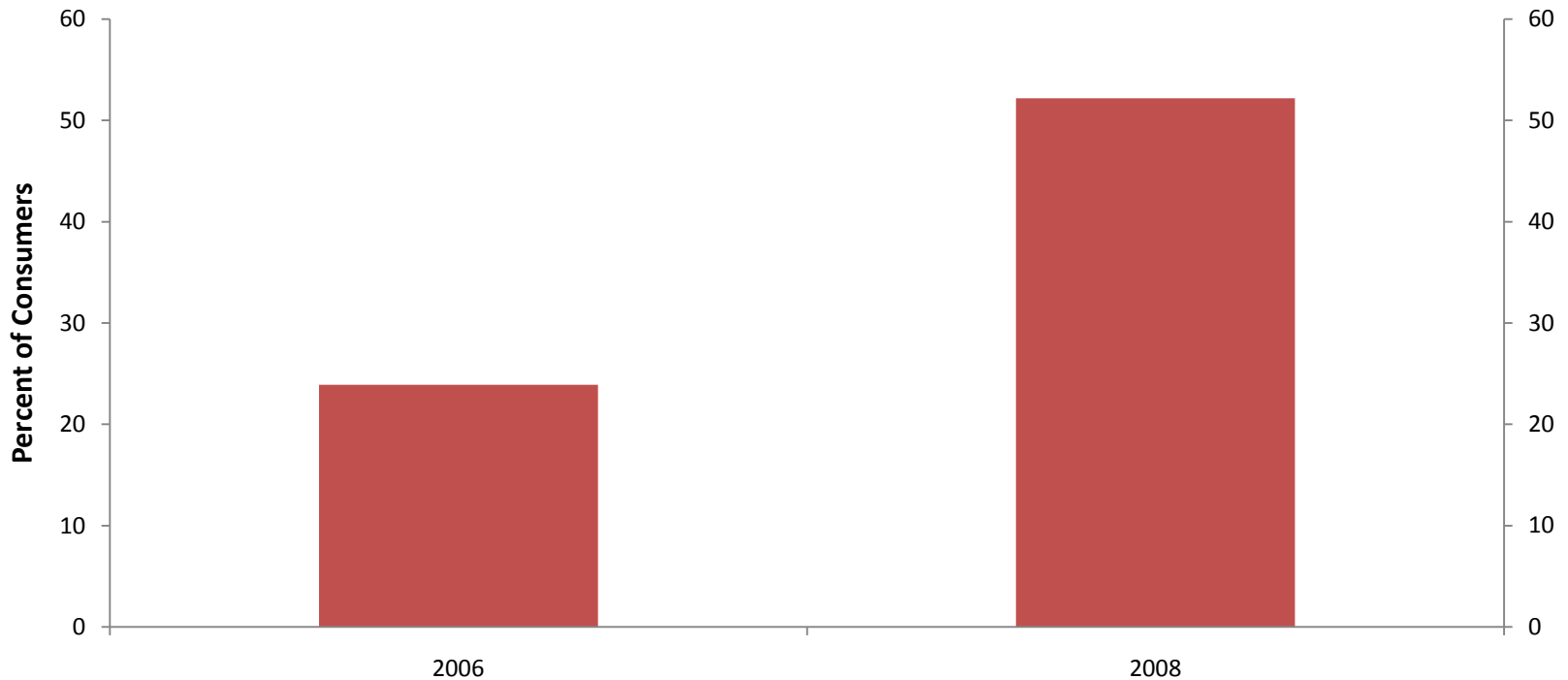
Consumer access to bank accounts via telephone, 2008



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

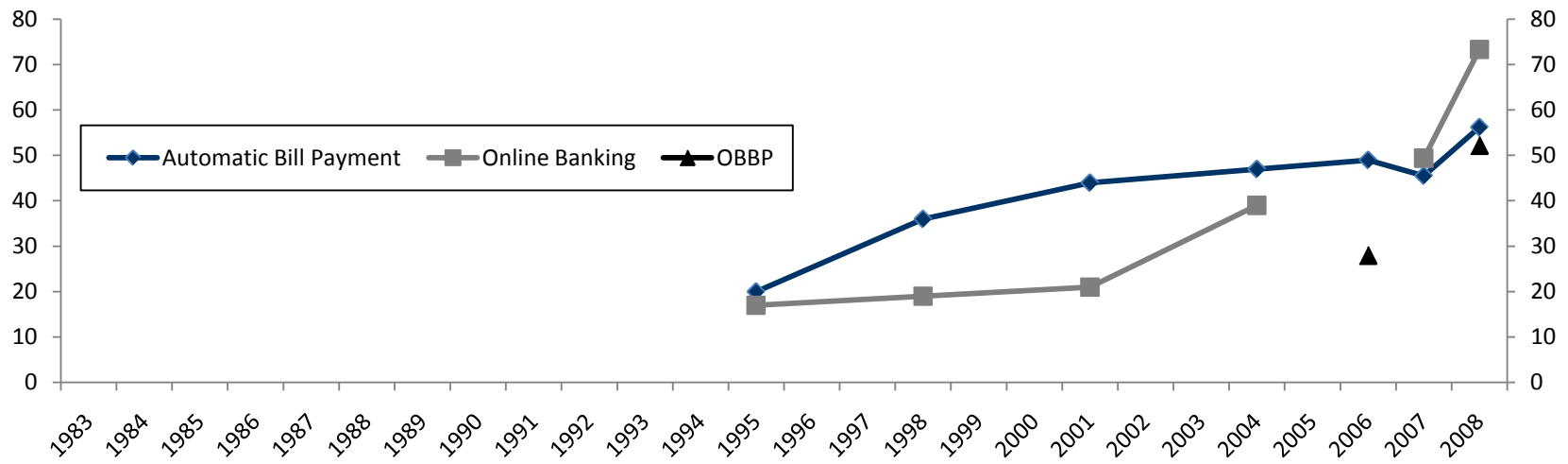
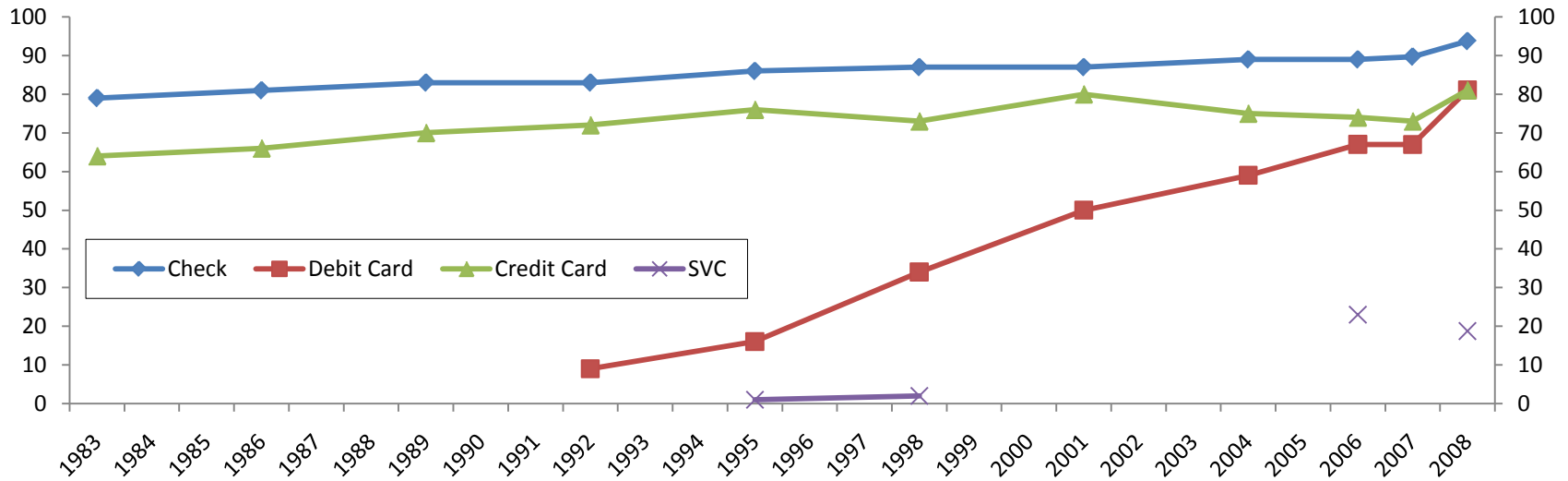
# Online banking bill payment

## Consumer adoption of online banking bill payment



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

# Payment adoption trends

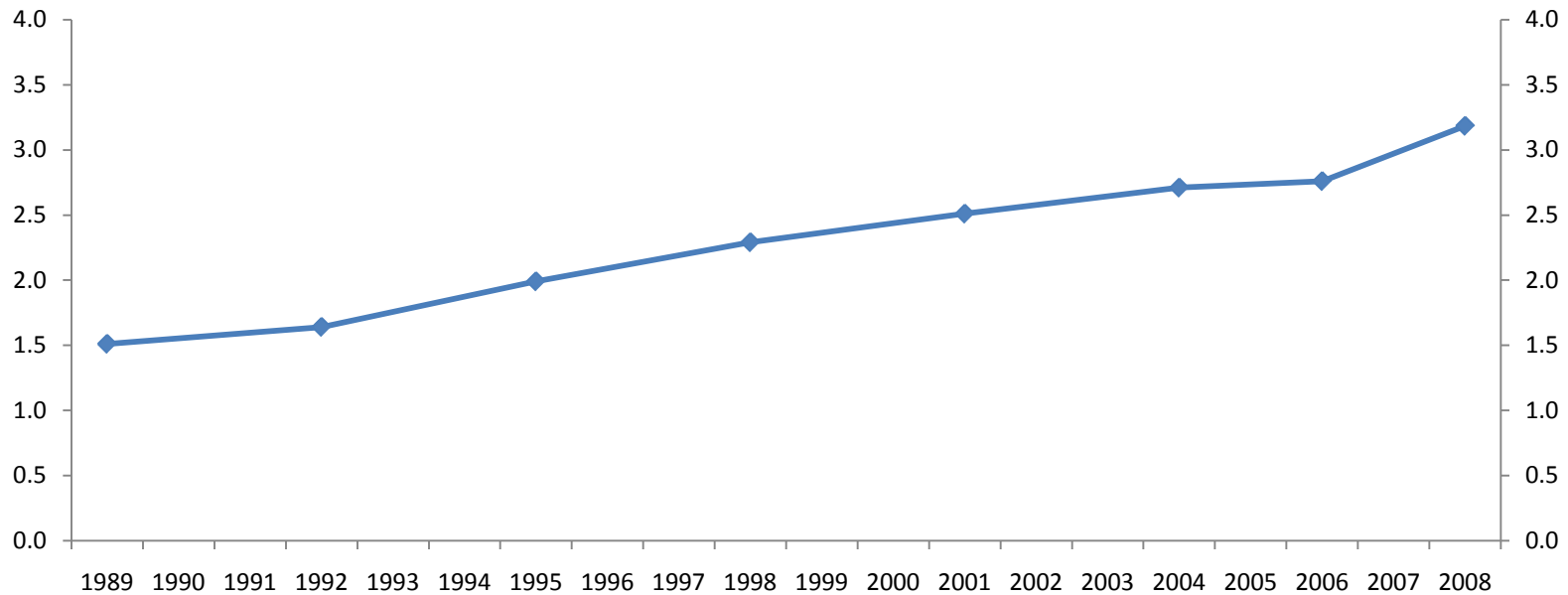


**SOURCE: 2008 Survey of Consumer Payment Choice; preliminary and unofficial statistics, subject to revision.**



# Payment instrument count

Number of payment instruments per consumer (out of 4 possible – check, CC, DC, ACH)



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

# Payment instrument count

## Payment instruments per consumer by bank account, 2008

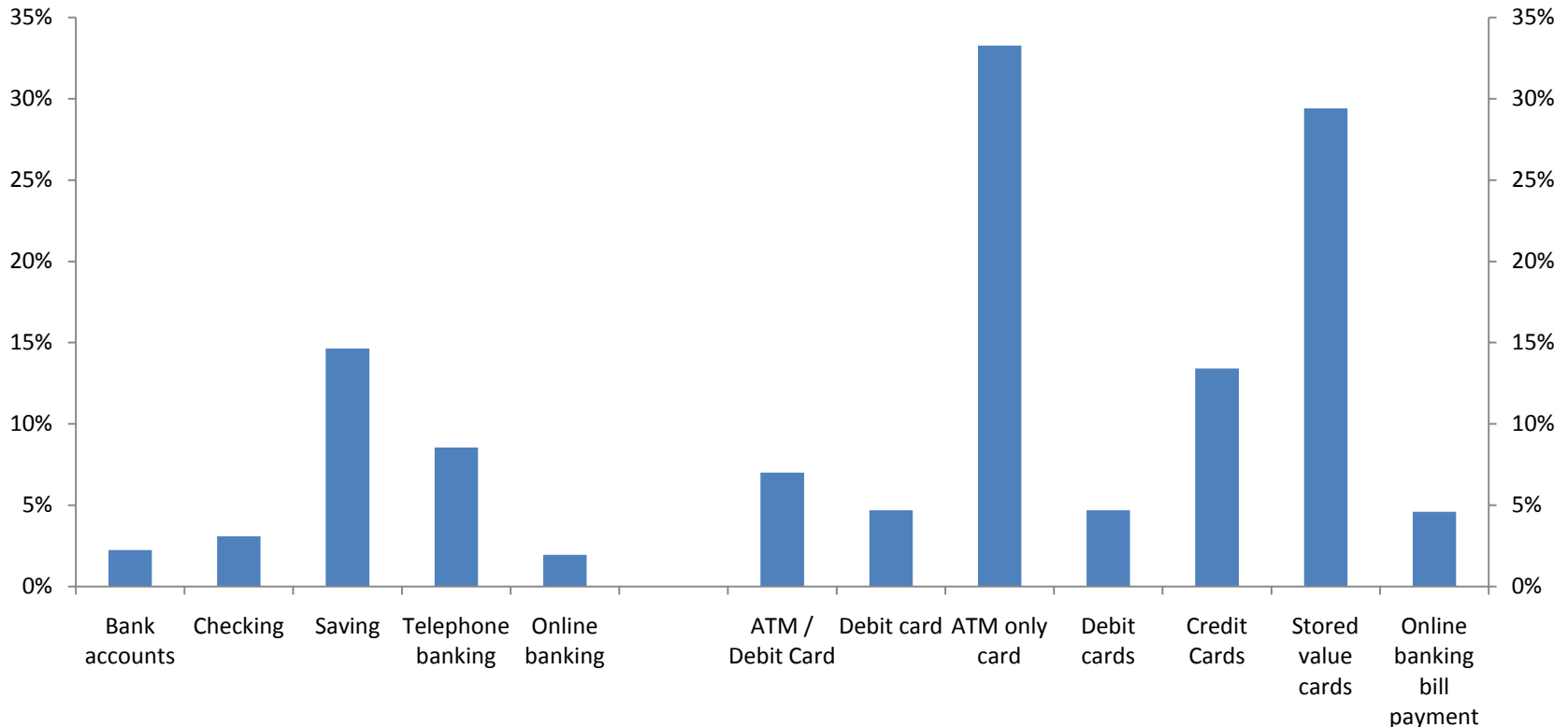


**SOURCE: 2008 Survey of Consumer Payment Choice; preliminary and unofficial statistics, subject to revision.**



# Payment discarding

## Consumer rates of discarding bank and payment technology\*

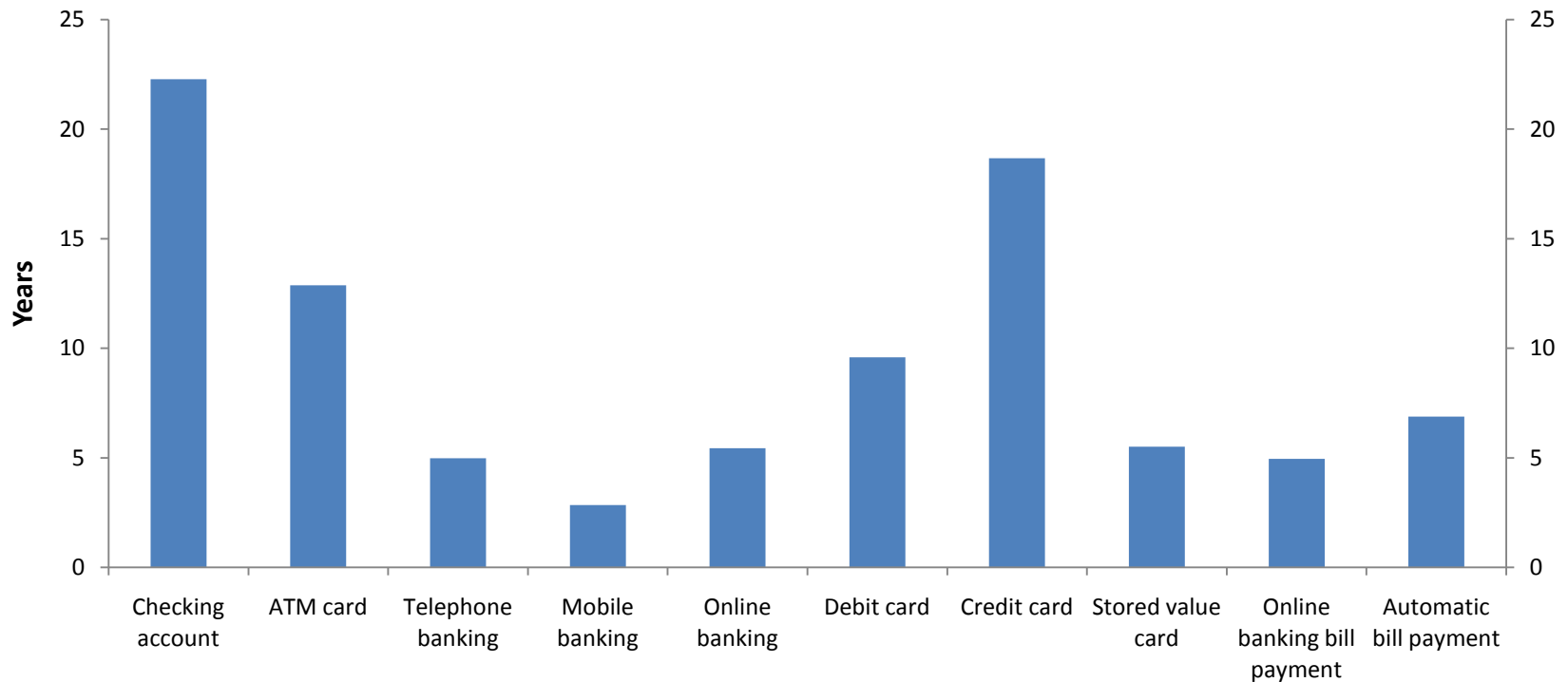


\* The “discard rate” is the percentage of consumers who adopted the bank or payment technology in the past but did not have it in the fall of 2008.

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

# Payments experience

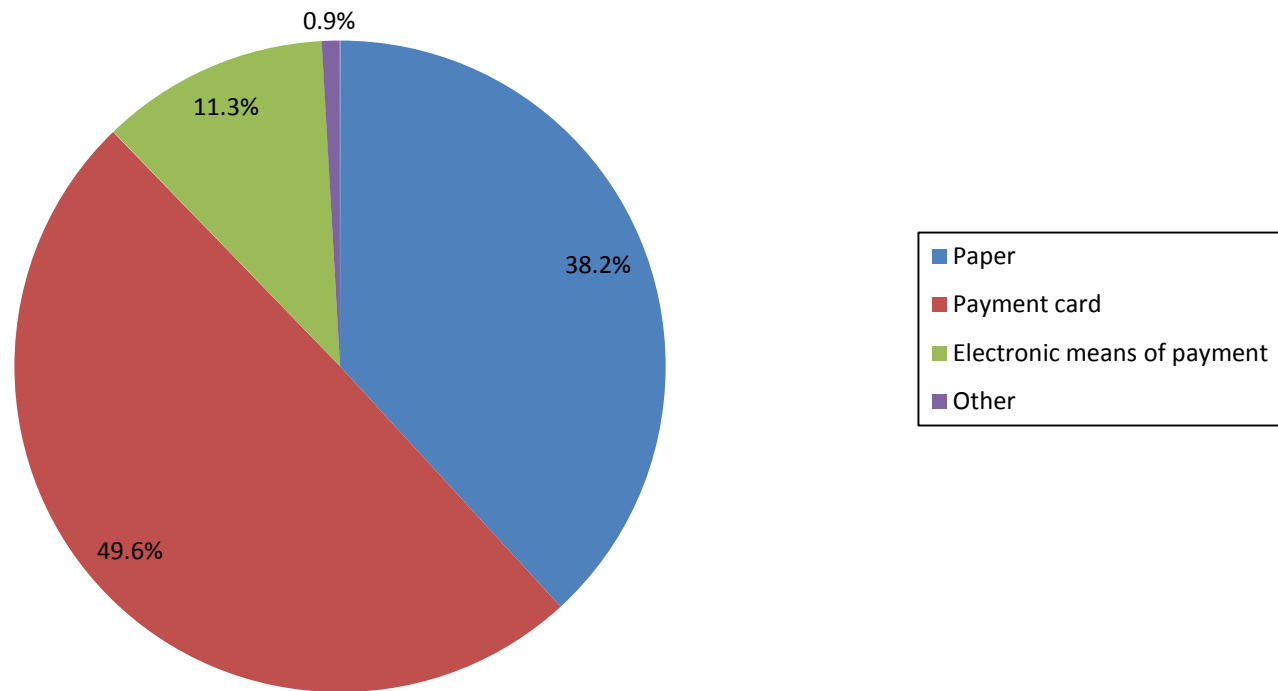
**Average # of years since consumer first adopted the bank or payment technology, 2008**



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

# Payment use

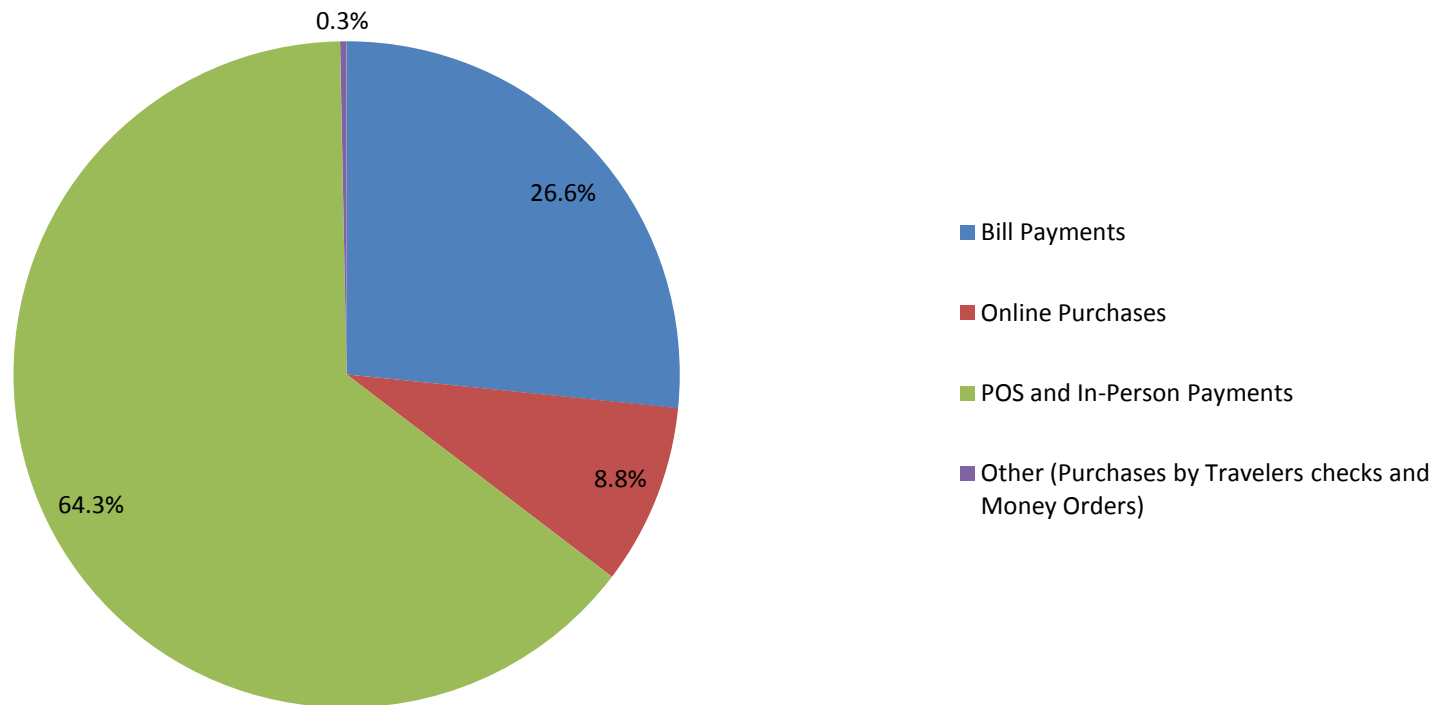
Consumer share of payment volume by payment instrument, 2008



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

# Payment use

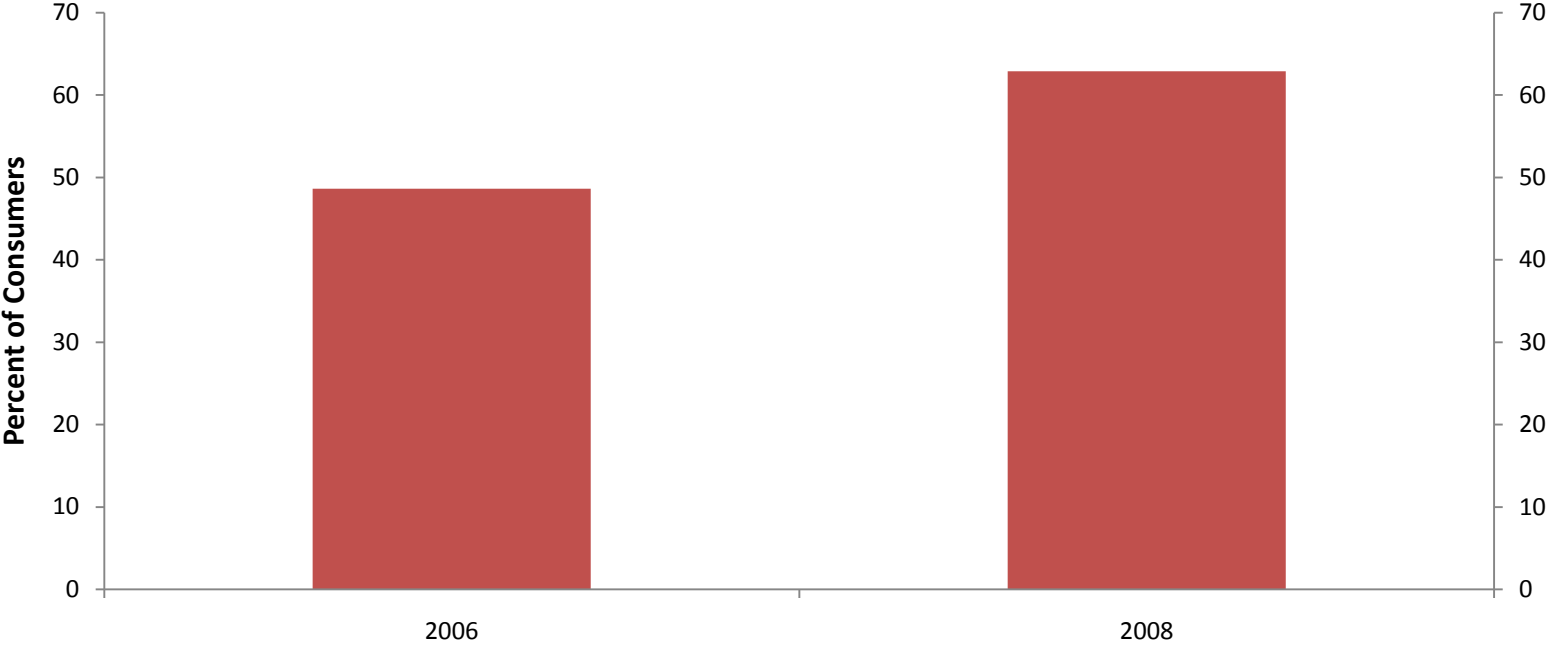
Consumer share of payment volume by transaction type, 2008



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

# Automatic bill payment

## Consumer adoption of automatic bill payment (all types)



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

# Automatic bill payment

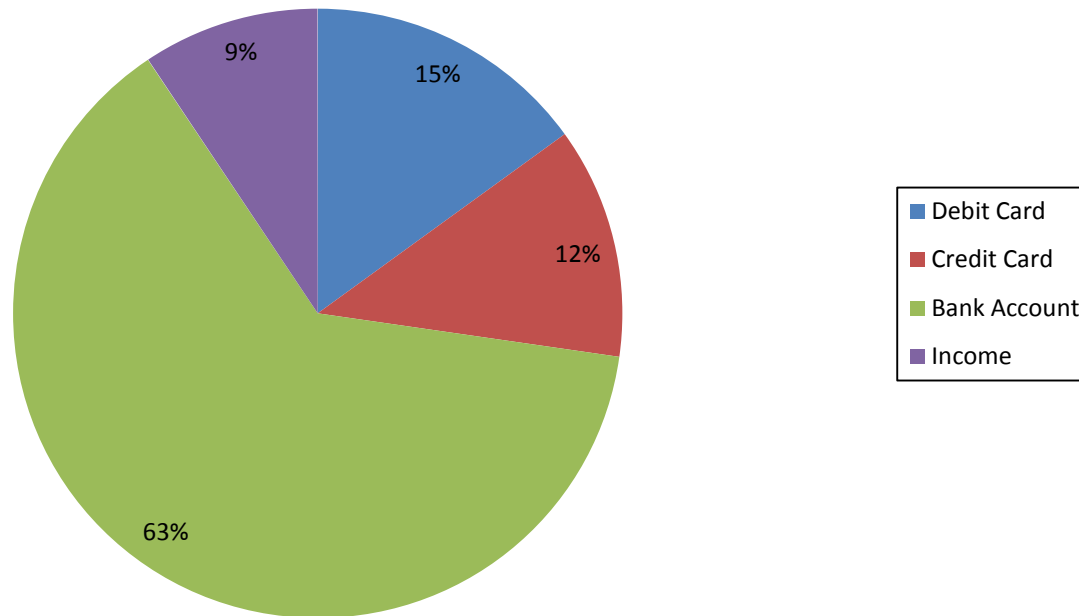
Percent of consumers using automatic bill payment methods, 2008



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

# Automatic bill payments

Volume of automatic bill payments by payment method, 2008



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

# Cash use (volume)

## Percentage of payments made with cash

	Bill payments by 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, food from restaurants and payments for gas (petrol)
Other retail payments	General merchandise, electronics, household goods, hardware, office supplies and others
Other non-retail payments	Tolls, medical, entertainment, charitable donations, person to person payments among other payments
All other payments	Any payments made online, bill payments, payments made by travelers checks or money orders



# Cash holdings and withdrawals

## 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.**

# Cash withdrawals

## Withdrawal LOCATIONS where consumers get cash most often

	ATM	Bank Teller	Check Cashing Store	Retail or Grocery Store	Employer	Family	Other
<b>First Choice</b>	59	22	1	11	5	1	0
<b>Second Choice</b>	14	50	2	25	2	4	1
<b>Third Choice</b>	8	51	2	22	6	9	1

## Withdrawal METHODS consumers use to get cash most often

	ATM or Debit card	Account withdrawal	Cashing personal check	Cashing paycheck	Cash back from a debit card	Paid by employer in cash	Unknown Methods
<b>First Choice</b>	59	11	6	11	9	2	1
<b>Second Choice</b>	14	37	13	7	22	1	5
<b>Third Choice</b>	8	25	24	12	18	1	10

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

# SVC reloading

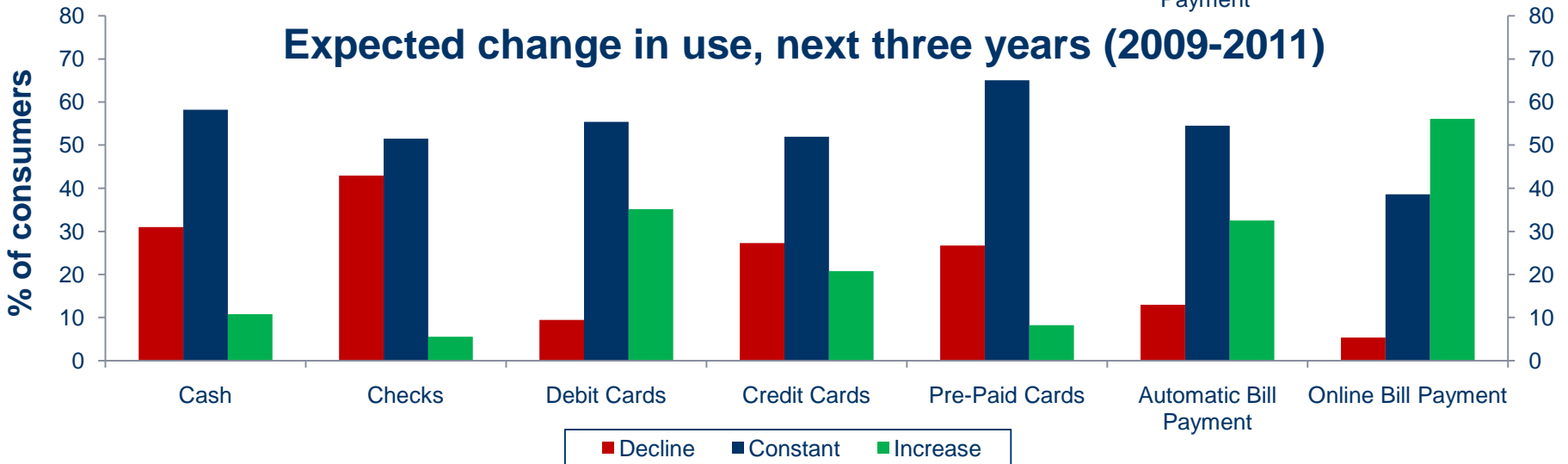
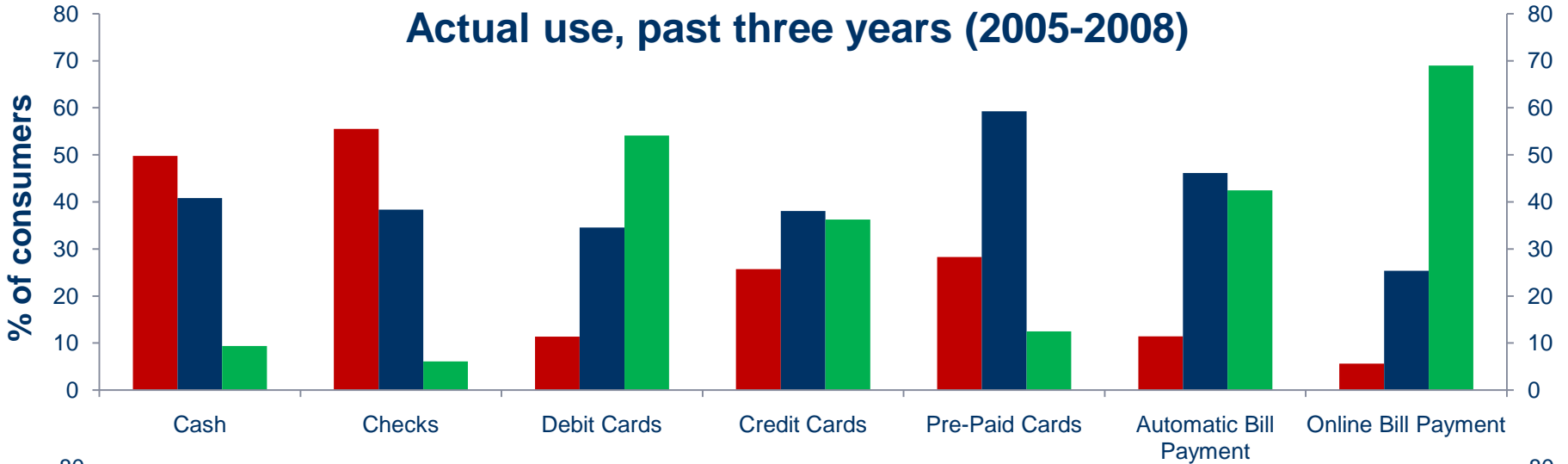
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## Consumer reloading of stored value cards, 2008

Incidence, all consumers	6.0%
Incidence, SVC adopters only	31.7%
Monthly reloadings	1.59

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

# Change in payment use



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

# Payment characteristic ratings

	Acceptance for payment	Acquisition & setup	Control over payment	Cost	Ease of use	Record keeping	Security	Speed	ROW AVG
<b>Cash</b>	4.6	4.4	4.0	4.5	4.2	2.4	2.5	4.4	<b>3.9</b>
<b>Check</b>	3.6	3.8	3.2	3.8	3.4	4.2	2.9	2.9	<b>3.5</b>
<b>Debit card</b>	4.3	3.9	3.7	3.9	4.3	4.0	2.9	4.1	<b>3.9</b>
<b>Credit card</b>	4.6	3.7	3.6	2.8	4.4	4.3	3.0	4.1	<b>3.8</b>
<b>Stored value card</b>	3.8	3.4	3.4	3.3	3.7	2.9	2.6	3.8	<b>3.4</b>
<b>Electronic account deduction</b>	3.1	3.3	3.7	3.8	3.7	4.0	3.3	3.8	<b>3.6</b>
<b>COL AVG</b>	<b>4.0</b>	<b>3.8</b>	<b>3.6</b>	<b>3.7</b>	<b>3.9</b>	<b>3.6</b>	<b>2.9</b>	<b>3.8</b>	<b>3.7</b>

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.**

# Decline in check use

## Changes in share of check payments by U.S. consumers, 2003–2006

	Estimated change in check share	Percent of actual change in check share
Actual change (from .310 in 2003 to .226 in 2006)	-0.084	100
Simulated increase in number of payment instruments (0.25 per consumer)	-0.028	33
Simulated decrease in relative convenience of checks (30 percent)	-0.021	25
Simulated increase in relative cost of checks (30 percent)	-0.012	14

SOURCE: Scott Schuh and Joanna Stavins (2009), "Why are (Some) Consumers (Finally) Writing Fewer Checks? The Role of Payment Characteristics," Federal Reserve Bank of Boston Working Paper 09-1:

<http://www.bos.frb.org/economic/wp/wp2009/wp0901.pdf>

NOTE: Simulation results are independent, and changes in check shares are not additive.

# SCPC production schedule

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- 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

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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>