

# Survey of Consumer Payment Choice: 2009 Results

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# Disclaimer

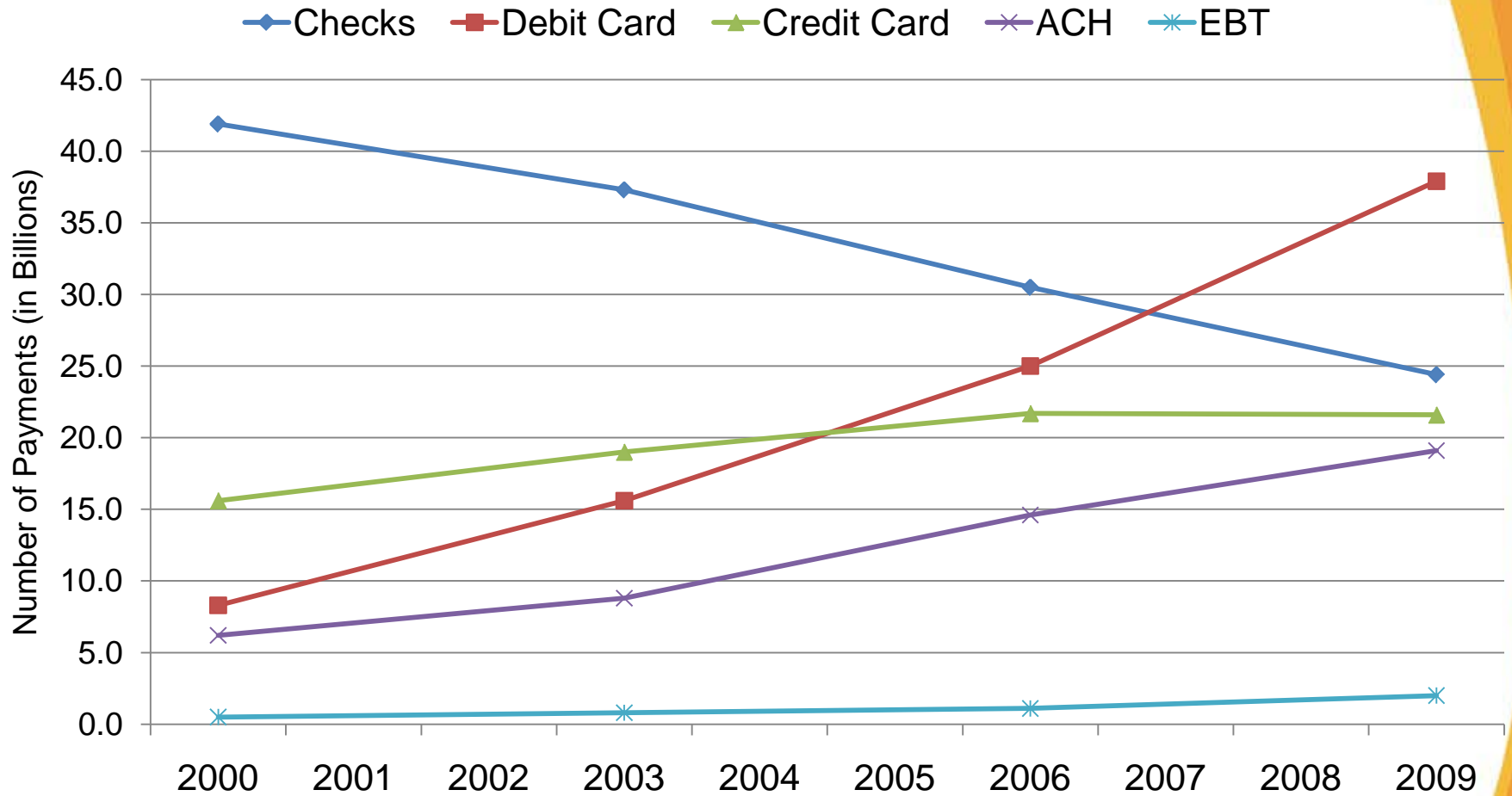
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# Outline of Presentation

- Payments landscape
- Survey of Consumer Payment Choice overview
- Adoption (holding) of payment instruments
- Use of payment instruments
- Consumer perceptions of payments
- Other surveys and future plans

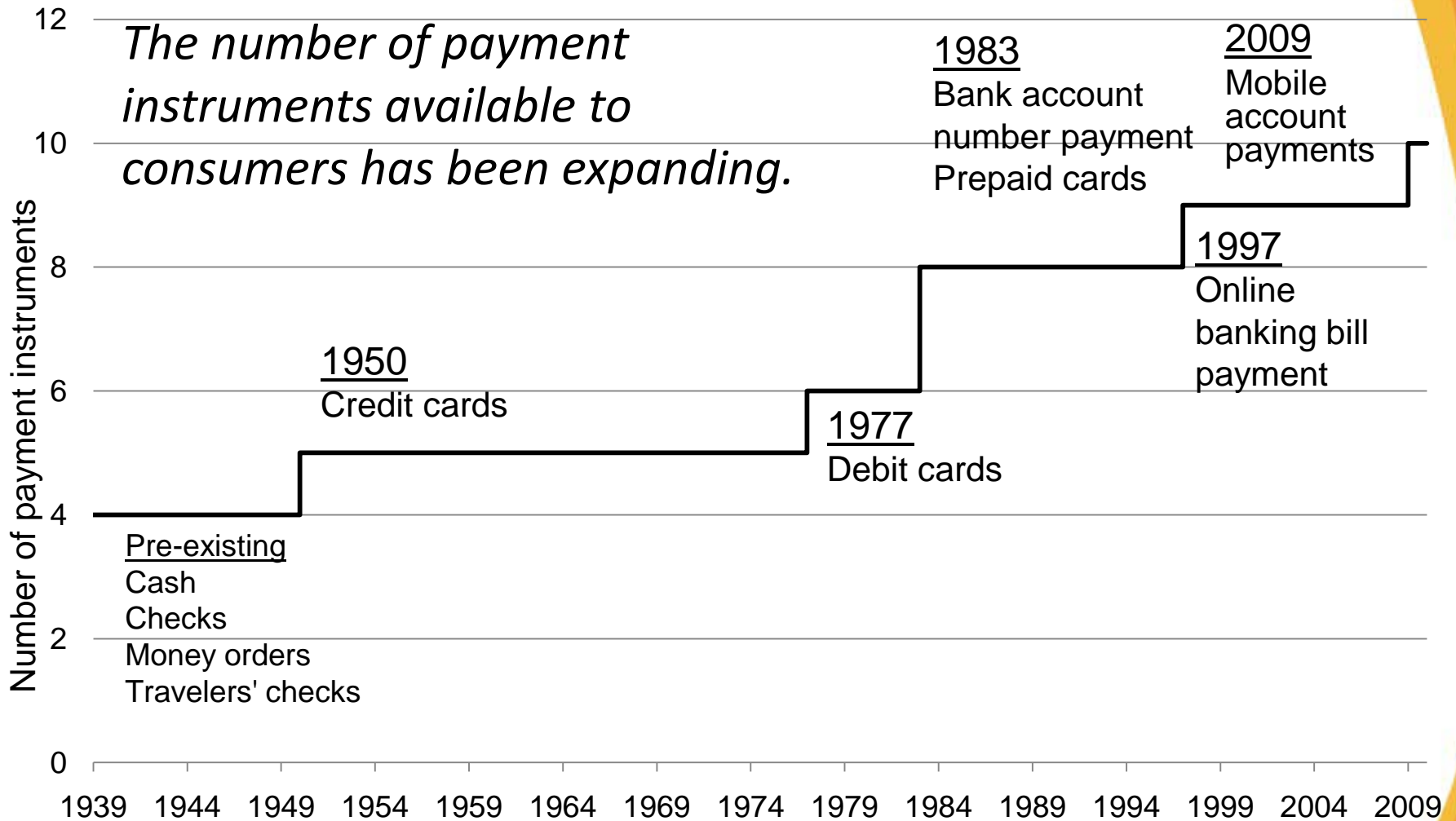
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# U.S. Payments Volume

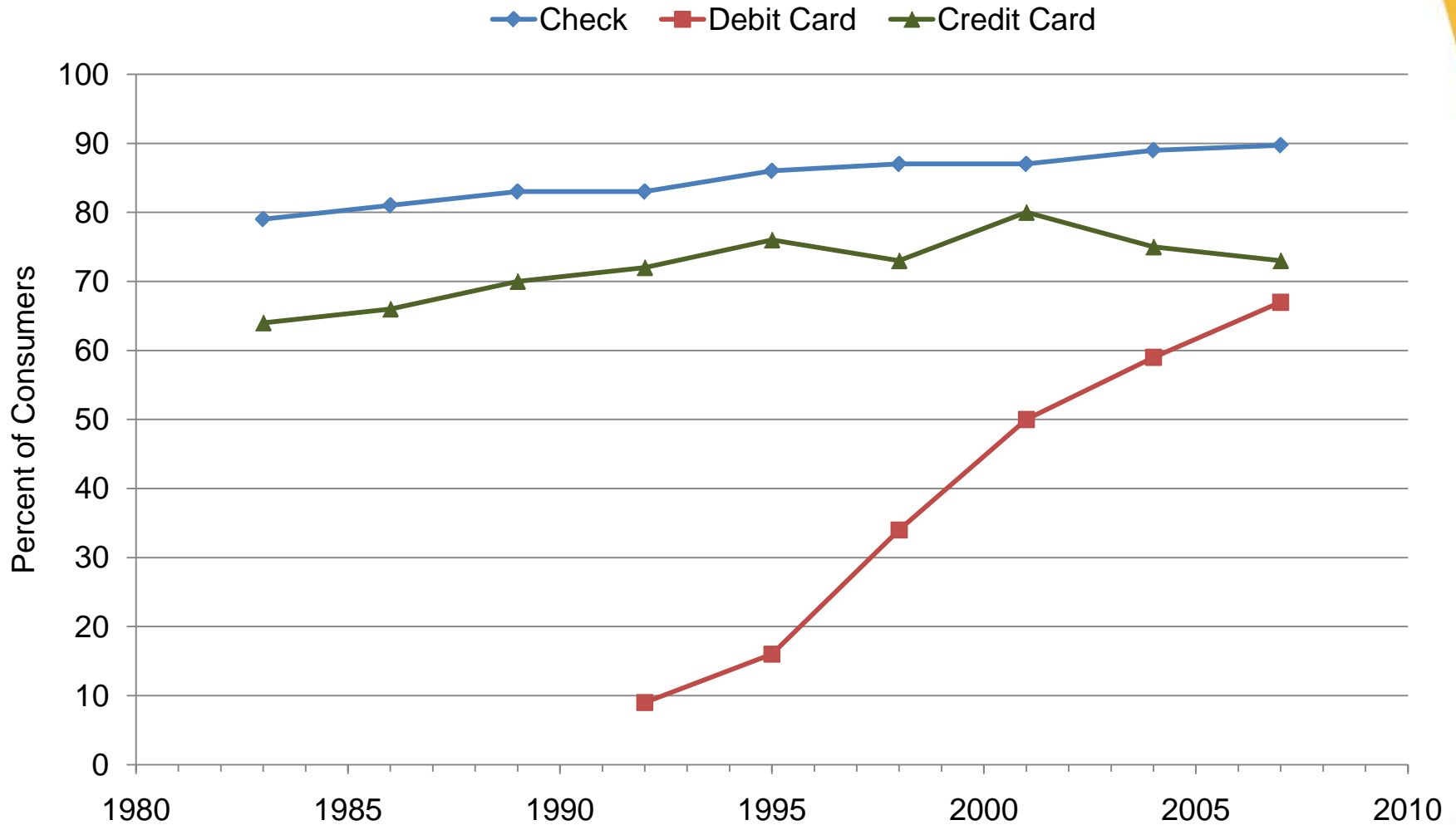


Source: 2010 Federal Reserve Payment Study (FRPS)

# History of Payment Methods



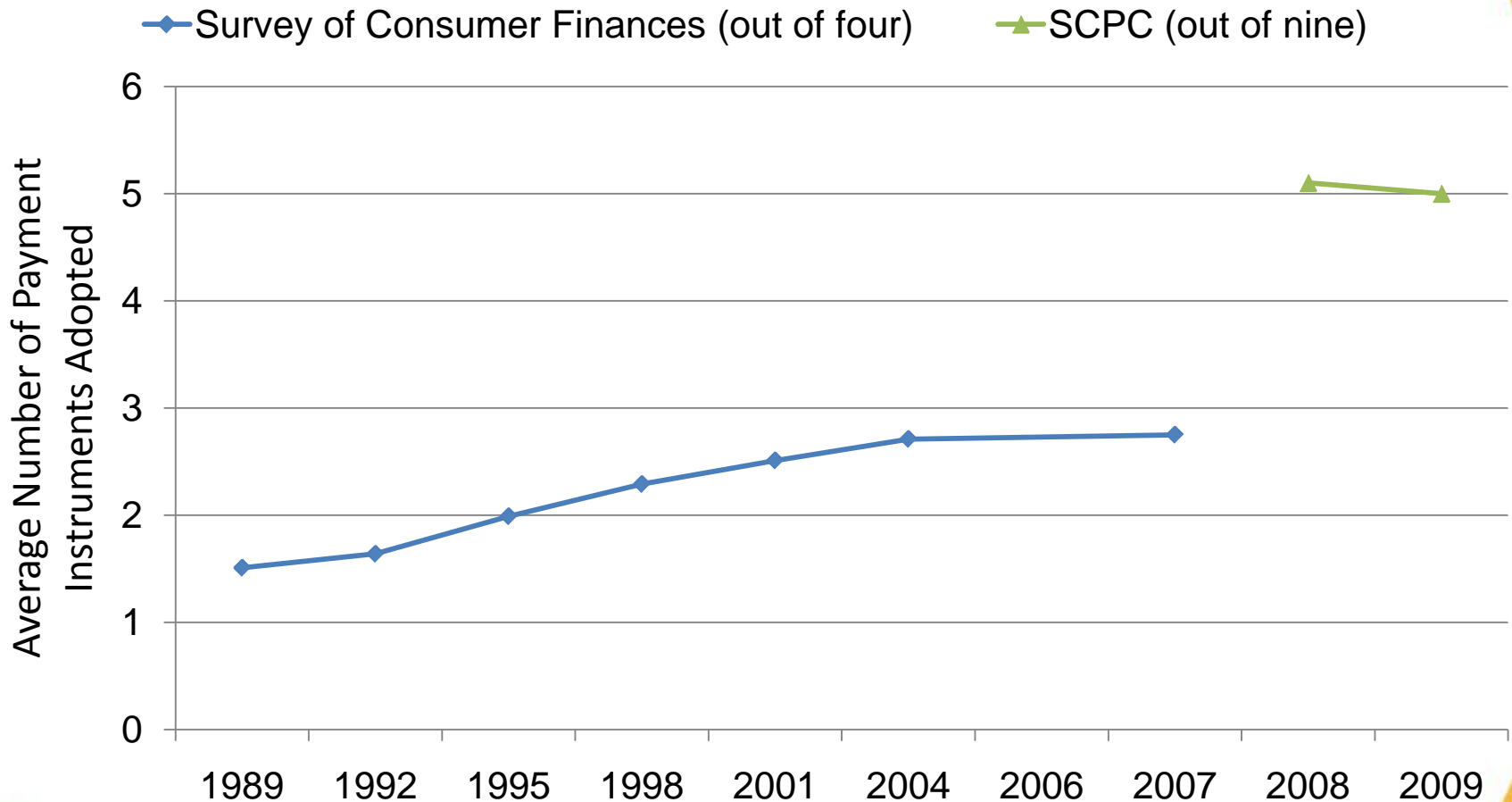
# Historical Adoption of Payments



Source: Survey of Consumer Finances

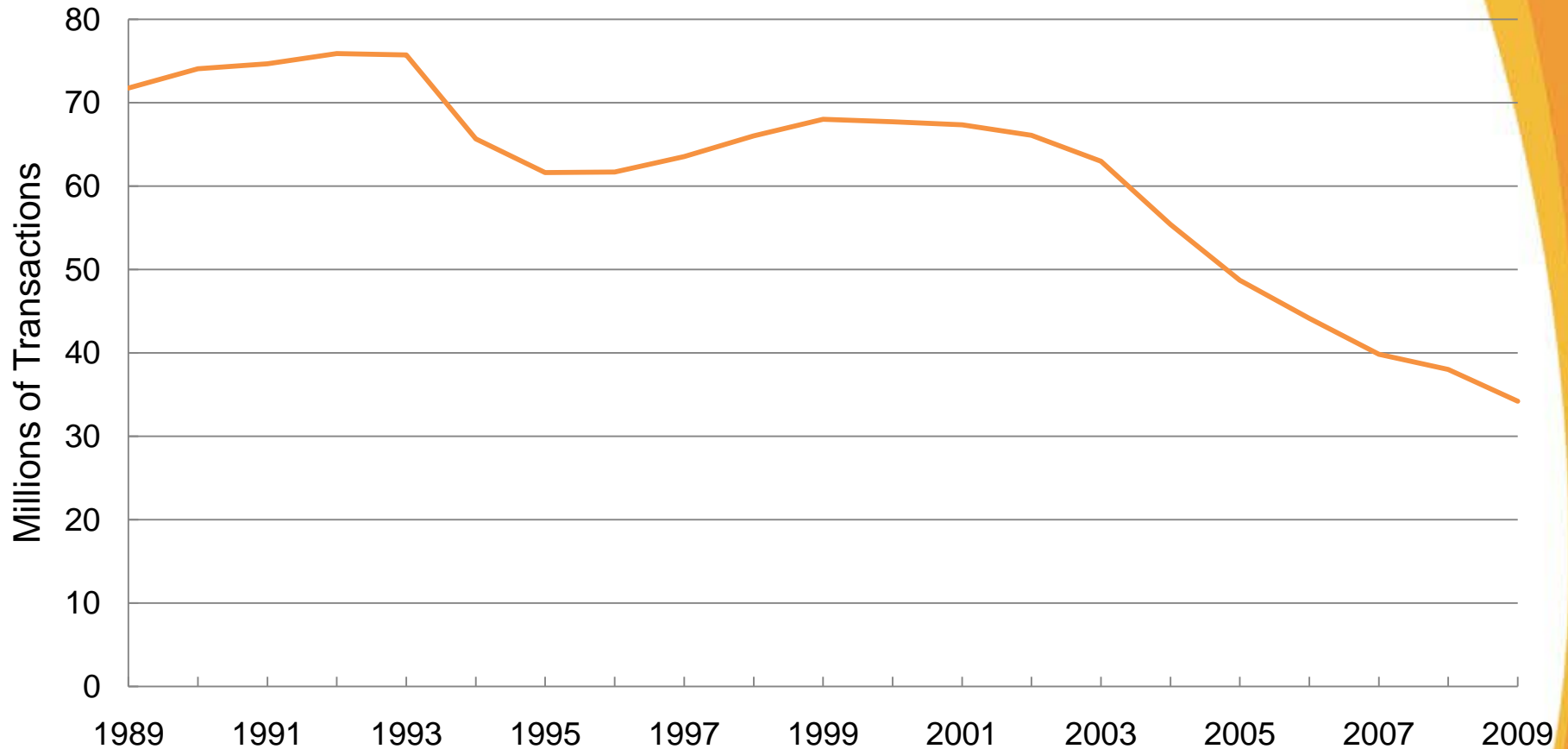
# Payment Instruments Per Consumer

*Consumers are holding more payment instruments*





# What Happened to Checks?



Sources: Federal Reserve System, forward collection, 1989 – 2009, daily average

- Payments landscape
- **Survey of Consumer Payment Choice: overview**
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# SCPC Overview

## *Survey of Consumer Payment Choice (SCPC)*

- Annual data for 2008 – 2010, available to the public for free
- Representative panel of U.S. consumers, age 18+ (2,169 respondents)
- Adoption and use for nine payment instruments
- Two types of data:
  - Consumer level data for microeconomic and policy analysis
  - Averages and aggregate data for trend analysis
- Fills a niche not covered by other sources:
  - *Survey of Consumer Finances* (SCF) – not much payments data
  - *Federal Reserve Payments Studies* (FRPS) – includes business and government, only aggregate statistics

# SCPC Payment Instruments

## Paper

1. Cash
2. Checks
3. Money orders
4. Travelers' checks

## Cards

5. Debit
6. Credit
7. Prepaid (including EBT)

## Electronic (ACH-based use of bank accounts)

8. Online banking bill payment (OBBP): Consumer initiates payment from bank website (no disclosure of bank account numbers).
9. Bank account number payment (BANP): Consumer uses bank account number to authorize third-party payment.

# Payment Measures

- Adoption – “Do you have...?”
  - Historical – ever had?
  - Current – have now?
  - Discarding – ever *discarded*? (historical minus current)
- Use – “How many payments do you make...?”
  - Incidence – use at least once during a period? (yes or no)
  - Frequency – intensity of use in a period (number of payments)
- Dollar value of payments not collected

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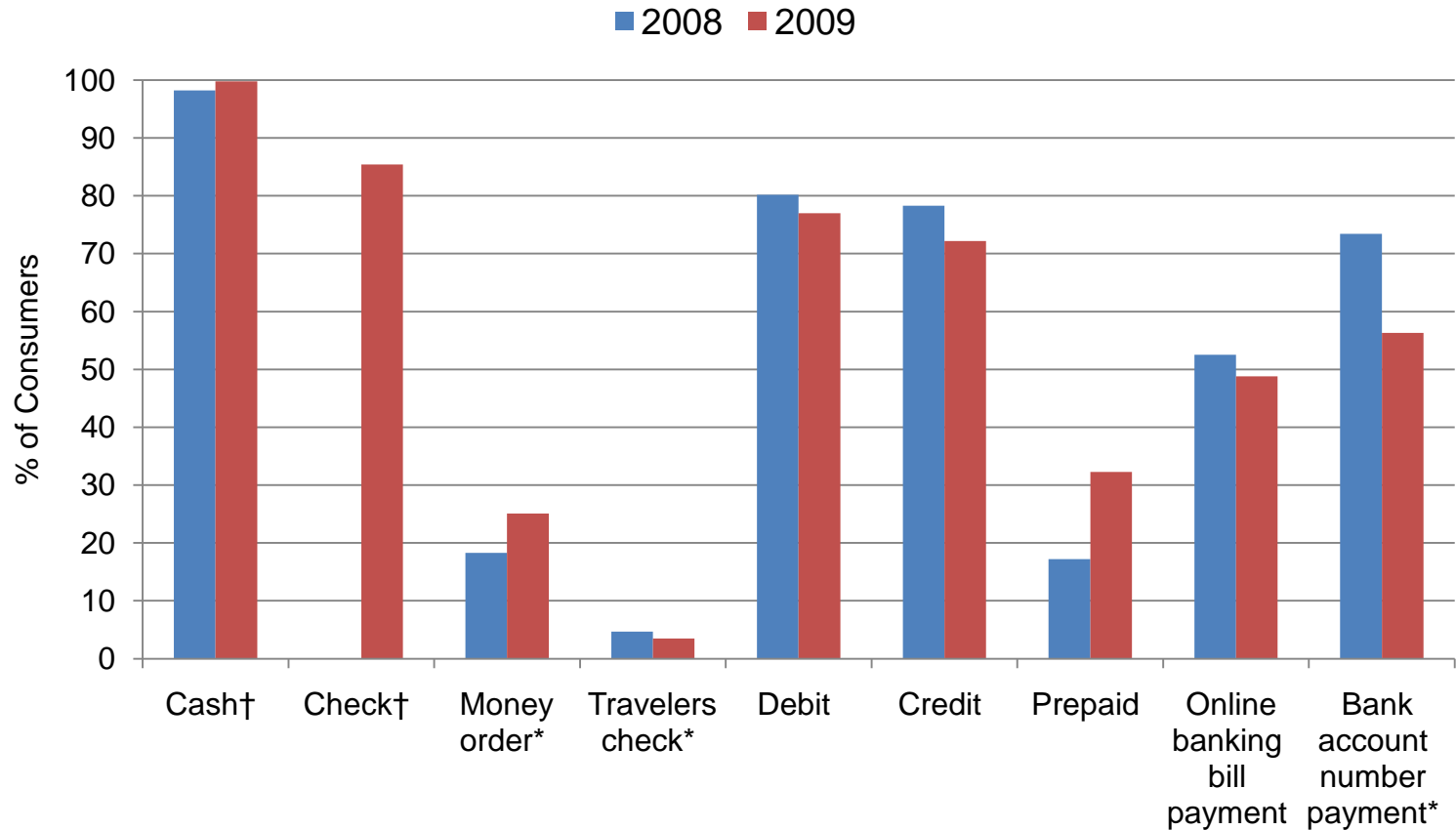
# Payment Instruments Portfolios

*Consumers vary widely in their holding of payment instruments*

% of consumers	Number of Payment Instruments Adopted by the Consumer								
	1	2	3	4	5	6	7	8	9
2008	3.3	3.7	4.6	13.2	27.9	35.0	9.9	2.4	0.0
2009	1.2	6.1	7.9	17.6	28.9	24.5	11.6	2.0	0.1

Source: 2008-2009 Survey of Consumer Payment Choice; data are preliminary and subject to revision.

# Adoption



SOURCE: 2009 Survey of Consumer Payment Choice statistics subject to revision. See 2009 SCPC Table 4.

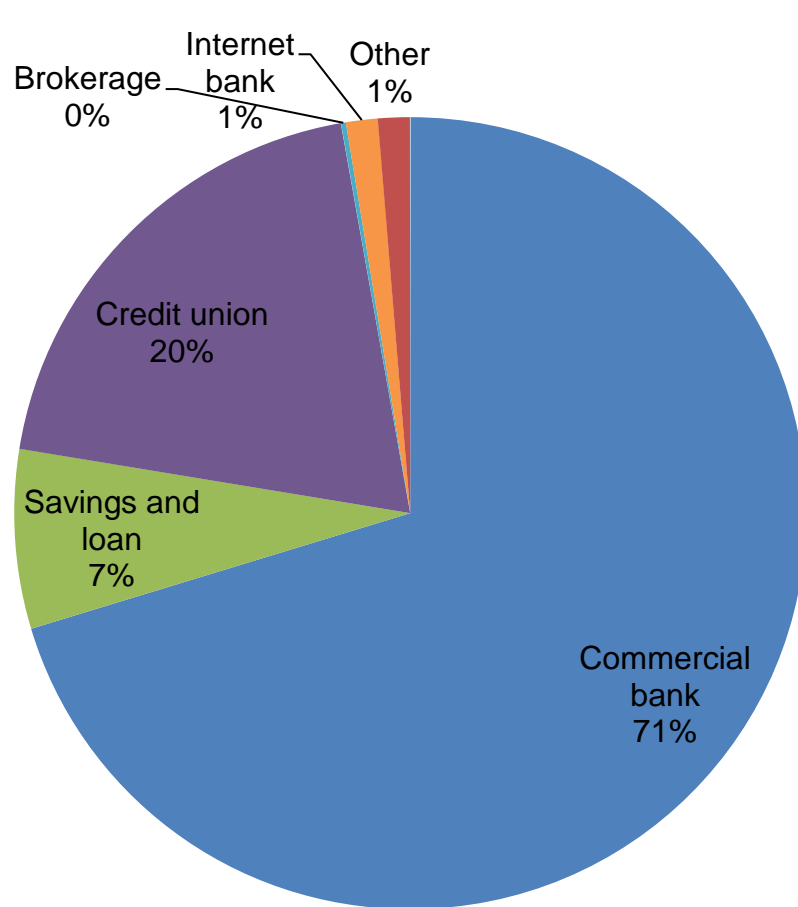
\* Adoption is defined as the consumer having used the instrument in a given year.

† Adoption is defined as the consumer having the instrument or having used the instrument in a given year.

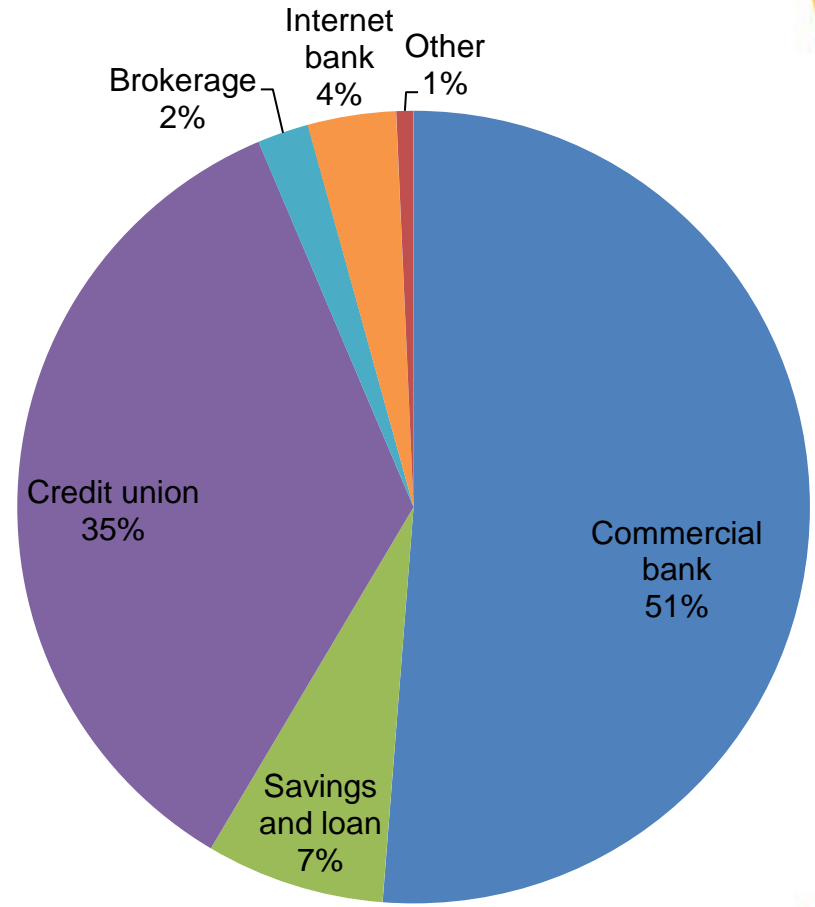


# Bank Account by Type of Financial Institution

## Primary Checking Account



## Primary Savings Account



Source: See 2009 SCPC Table 3

# Mobile Payments

*Mobile payments illustrate the difficulty of defining new instruments*

	<u>2009</u>
• Bank account adopters	93.6%
– Used mobile banking last 12 mos.	8.9%
• Mobile banking adopters	10.2%
• Cell phone adopters	89.5%*
– Mobile payment adopters	3.0%
• Paid using SMS/Text**	2.0%
• Paid via contactless mobile	1.1%

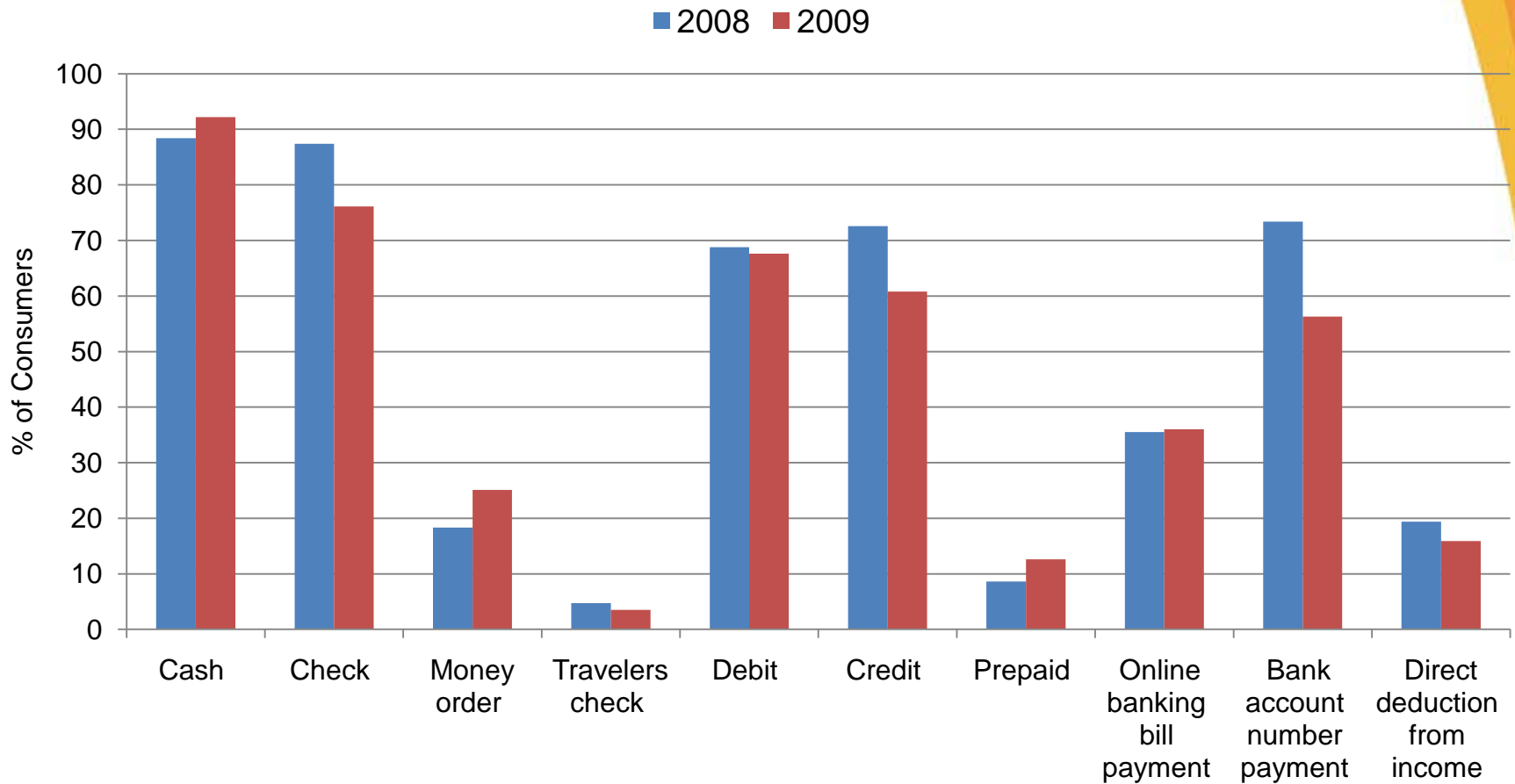
\*Consistent with industry estimates of mobile phone subscribers by household

\*\*Before Haiti earthquake

SOURCE: Crowe, M., M. Rysman, & J. Stavins (2010). "Mobile Payments in the United States at Retail Point of Sale" *Review of Network Economics*)

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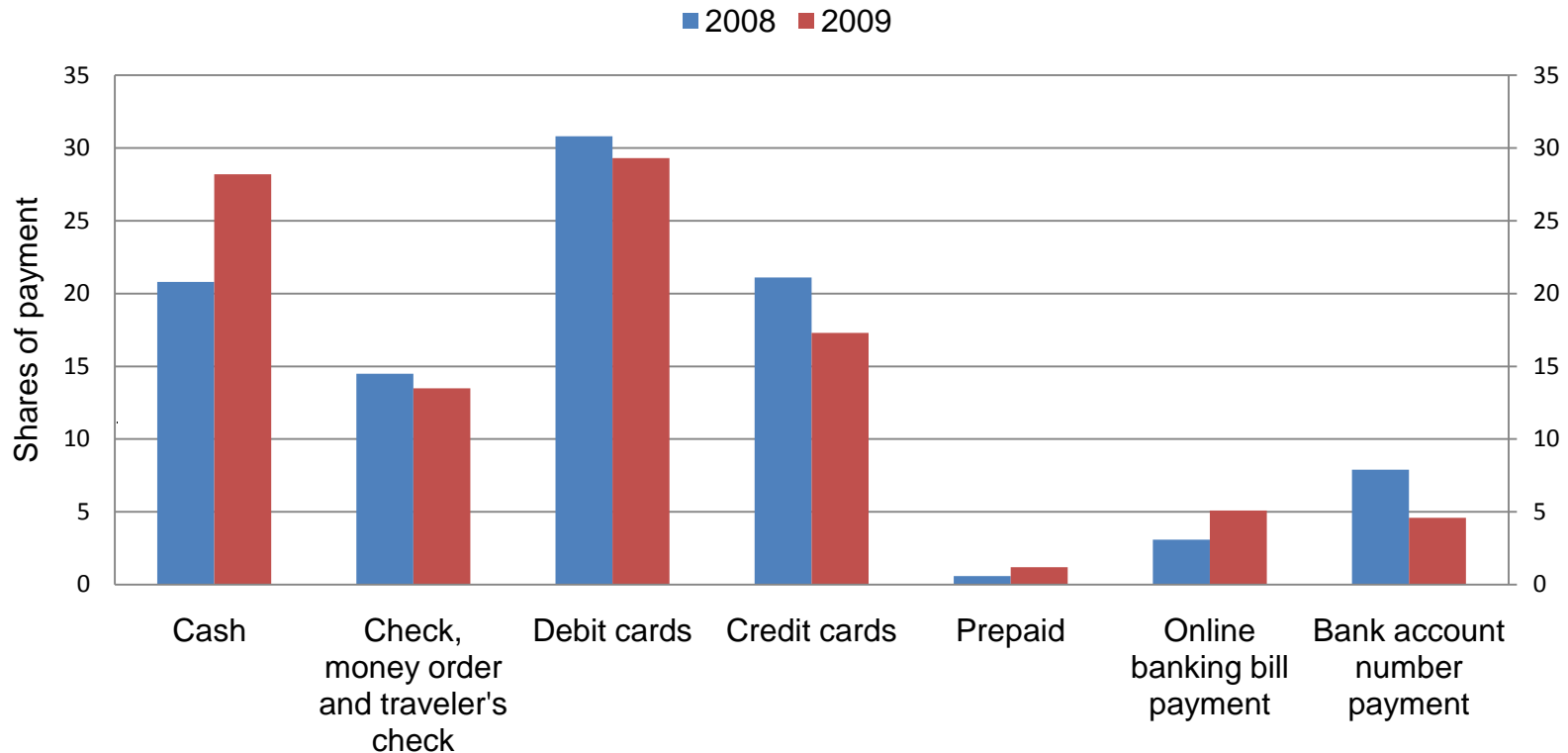
# Incidence of use



SOURCE: 2009 Survey of Consumer Payment Choice statistics subject to revision. See 2009 SCPC Table 14.  
 NOTE: Prepaid and bank account number payment incidence of use are not comparable between 2008 and 2009 due to changes in the survey questions.

# Intensity of use: Shares

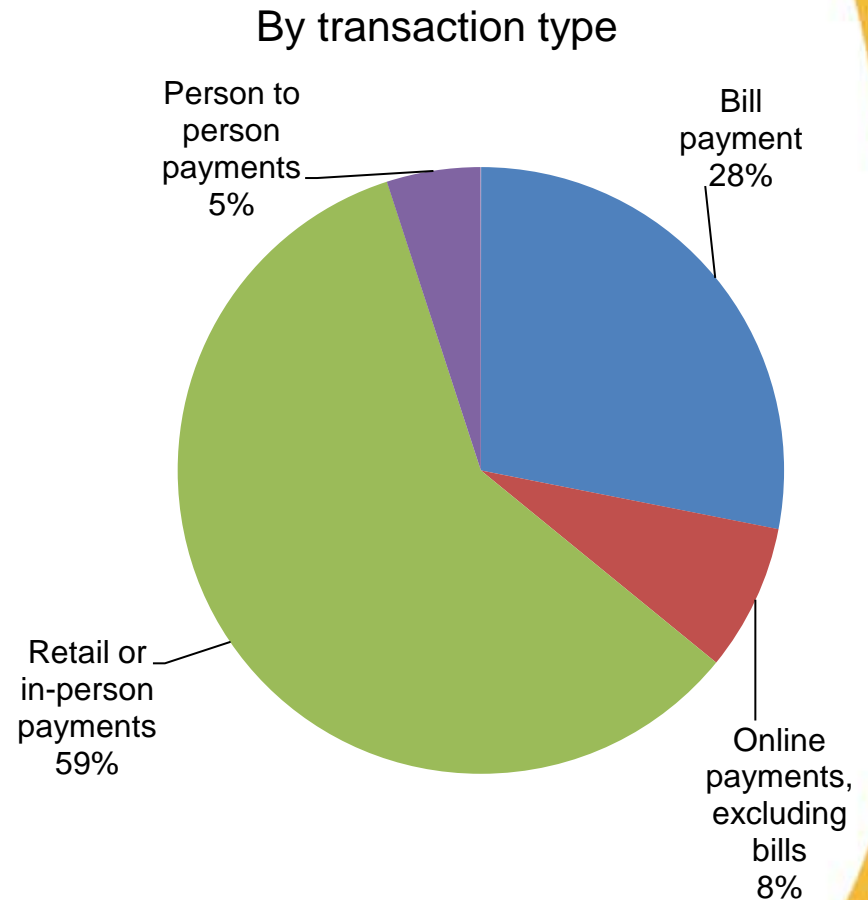
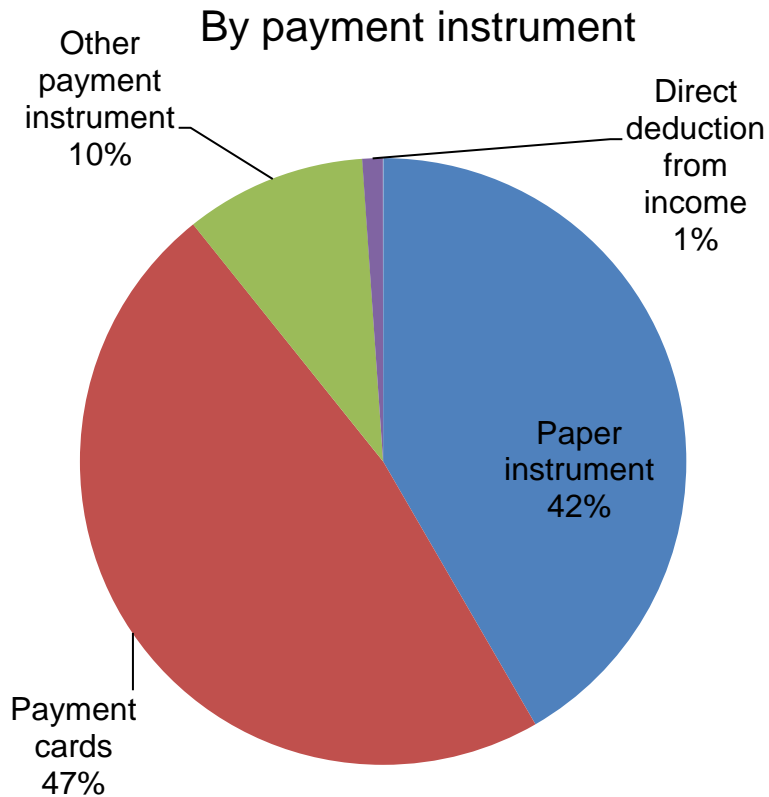
*Consumers increased their use of cash in 2009*



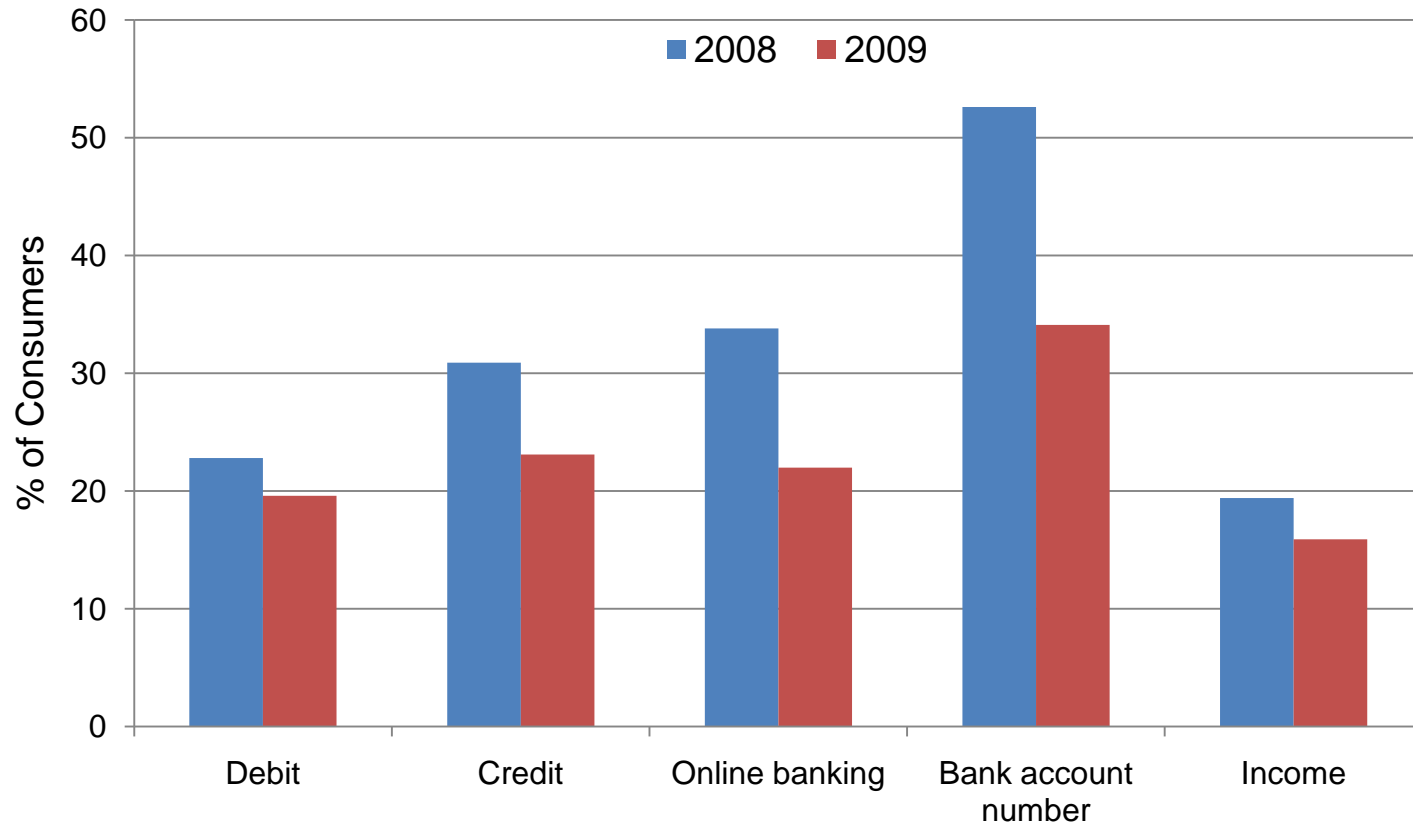
SOURCE: 2008-2009 Survey of Consumer Payment Choice; data are preliminary and subject to revision. See 2008 SCPC Tables 19, 21-23 and 2009 SCPC Tables 18, 19, 21 and 22.

# Payment Use (2009)

*Cards and paper instruments dominate consumer payments*

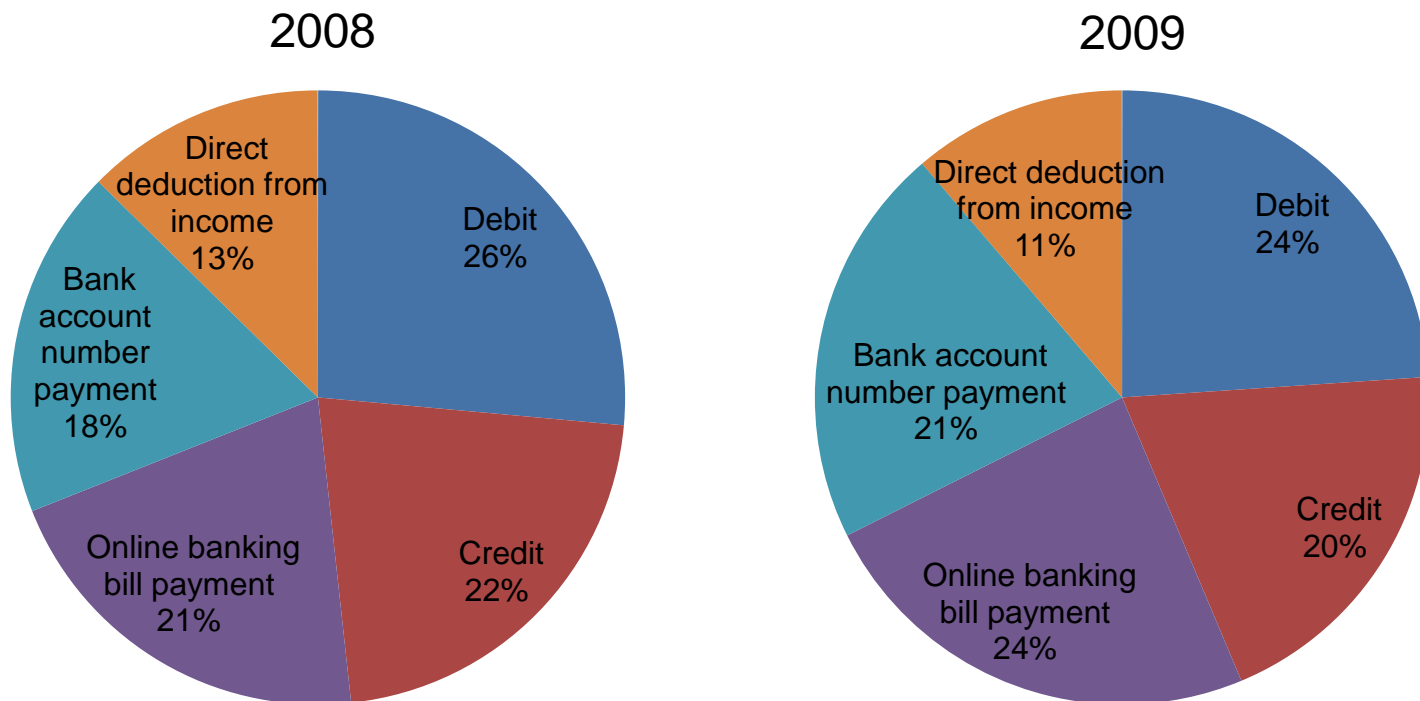


# Automatic Bill Payment: Incidence of Use



SOURCE: 2009 Survey of Consumer Payment Choice statistics subject to revision. See 2009 SCPC Table 17.

# Automatic Bill Payment: Shares



SOURCE: 2009 Survey of Consumer Payment Choice statistics subject to revision. See 2009 SCPC Table 23



# Cash Management

*Consumer holdings and withdrawals of cash increased in 2009*

Measure	Year	Current Cash Holdings			Typical Cash Withdrawals*		
		Total (\$)	On Person (\$)	Other (\$)	Monthly Amount (\$)	Typical Amount (\$)	Monthly Frequency (#)
<i>Mean</i>	2009	291	69	229	434	119	5.1
	2008	230	79	157	336	102	4.3
<i>Median</i>	2009	78	34	19	217	60	3.9
	2008	69	28	14	179	50	2.9

\* NOTE: Monthly amount does not equal typical times frequency because the amount and frequency are negatively correlated across consumers.

SOURCE: 2008-2009 Survey of Consumer Payment Choice

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# Payment Characteristics: Cash

*Consumers consider characteristics when choosing payment instruments*

2009	Acceptance for payment	Security	Cost	Convenience		AVG
Cash	4.6	2.9	4.5	4.2		4.0
AVG	3.8	2.8	3.7	3.8		3.9

 Below average  
 Above average

2008	Acceptance for payment	Security	Cost	Ease of use	Record keeping	Control over payment	Speed	Acquisition & setup		AVG
Cash	4.6	2.5	4.5	4.2	2.4	4.0	4.4	4.4		3.9
AVG	4.0	2.9	3.7	3.9	3.6	3.6	3.8	3.8		3.7

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

# Payment Characteristics: ACH

2009	Acceptance for payment	Security	Cost	Convenience	AVG
BANP	2.5	2.4	3.7	3.0	2.9
AVG	3.8	2.8	3.7	3.8	3.9



2008	Acceptance for payment	Security	Cost	Ease of use	Record keeping	Control over payment	Speed	Acquisition & setup	AVG
BANP	3.2	3.3	3.7	3.6	3.9	3.6	3.8	3.4	3.6
AVG	4.0	2.9	3.7	3.9	3.6	3.6	3.8	3.8	3.7

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

# Change in Check Use (2003 – 2006)

Changes in cost and convenience partly explain check decline

Simulation	Estimated change in check share	Percent of actual change in check share
Actual change: 31% to 23%	-0.084	100
More payment instruments (by 0.25 per consumer)	-0.021	25
Lower convenience of checks (by 30 percent)	-0.029	34
Higher cost of checks (by 30 percent)	-0.009	11

SOURCE: Scott Schuh and Joanna Stavins, "Why Are (Some) Consumers (Finally) Writing Fewer Checks? The Role of Payment Characteristics," *Journal of Banking and Finance* (2010)

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# SCPC vs McKinsey CFLS

- Overall, broadly similar
  - Self-reported consumer responses
  - Internet based survey instrument
  - Sample coverage good but not perfect
  - Obtain adoption and use of payment instruments, practices
- Notable differences
  - SCPC annual (Q4); McKinsey 3-4x per year
  - CFLS lower adoption and use of newer, electronic, high-tech payments
  - SCPC measures consumers, CFLS measures households
  - Different time periods used in questions

# SCPC vs McKinsey CFLS

## Number of payments per month

- SCPC has higher bill estimates (18.0 versus 11.5 per month)
  - McKinsey households, SCPC consumers
  - McKinsey recurring bills only, SCPC all bills
  - McKinsey listed specific types of bills, SCPC all bills by payment instruments
- SCPC and CFLS should have similar POS and P2P estimates (TBD)
  - Both are consumer level, but don't have CFLS yet

## Accounts and payment instruments

- SCPC surveys all bank accounts
  - McKinsey tracks payments from primary checking account only
- SCPC has unique definitions/terminology for electronic instruments
  - SCPC is unique in its use of Bank Account Number Payment (BANP)



# Future Plans

## New in 2010:

*Diary of Consumer Payment Choice (DCPC), pilot study with 300 consumers tracking daily payments for 3 days each.*

Date	Projects
2010:Q4	<ul style="list-style-type: none"><li>• Implemented 2010 SCPC and DCPC</li></ul>
2011:Q1	<ul style="list-style-type: none"><li>• Publish 2009 SCPC tables</li><li>• Publish SCPC overview paper</li><li>• Release 2009 SCPC micro data</li></ul>
2011:Q2	<ul style="list-style-type: none"><li>• Board of Advisors meeting</li></ul>
2011:Q3	<ul style="list-style-type: none"><li>• Publish 2010 SCPC tables</li><li>• Publish 2010 DCPC tables</li></ul>
2011:Q4	<ul style="list-style-type: none"><li>• Implement 2011 SCPC and DCPC</li><li>• Release 2010 micro data</li></ul>

# Questions?

- Consumer Payments Research Center (CPRC) website:  
<http://www.bostonfed.org/economic/cprc/index.htm>
- Survey of Consumer Payment Choice (SCPC) website:  
<http://www.bostonfed.org/economic/cprc/scpc/index.htm>