

U.S. CONSUMER PAYMENT CHOICE

NEACH Consumer Payments Forum
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Disclaimers

- The views expressed here do not necessarily represent the views of the Federal Reserve Bank of Boston or the Federal Reserve System.
- Results from the 2013 Survey of Consumer Payment Choice (SCPC) are preliminary and subject to change.
- Results from the 2012 Diary of Consumer Payment Choice (DCPC) are preliminary and subject to change.

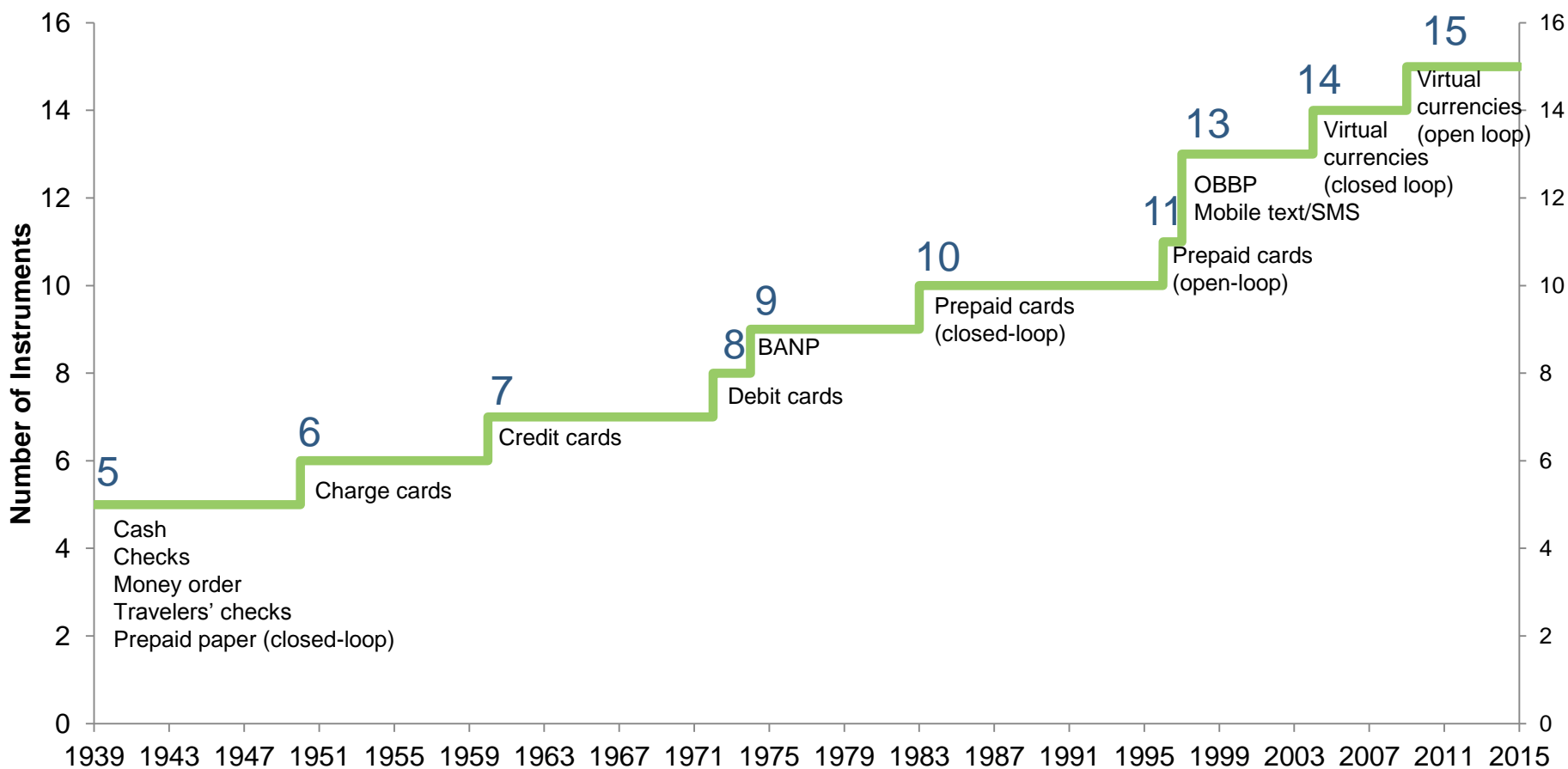
Today's presentation

- Transformation of U.S. payments
- Consumer choice
 - What's in wallet?
 - How do you pay?
- Security and payment choice

TRANSFORMATION

U.S. noncash payments by consumers, businesses,
government

More and more choice



Source: Author's research.

From physical to electronic money

“Yesterday”



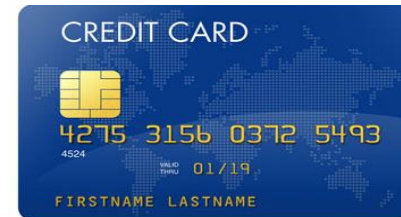
First National Bank
Hollywood, Ca. Date April 1, 2002

Pay to the
Order Of Parisian Gown Shoppe \$ 750.00

Seven hundred fifty ** Dollars

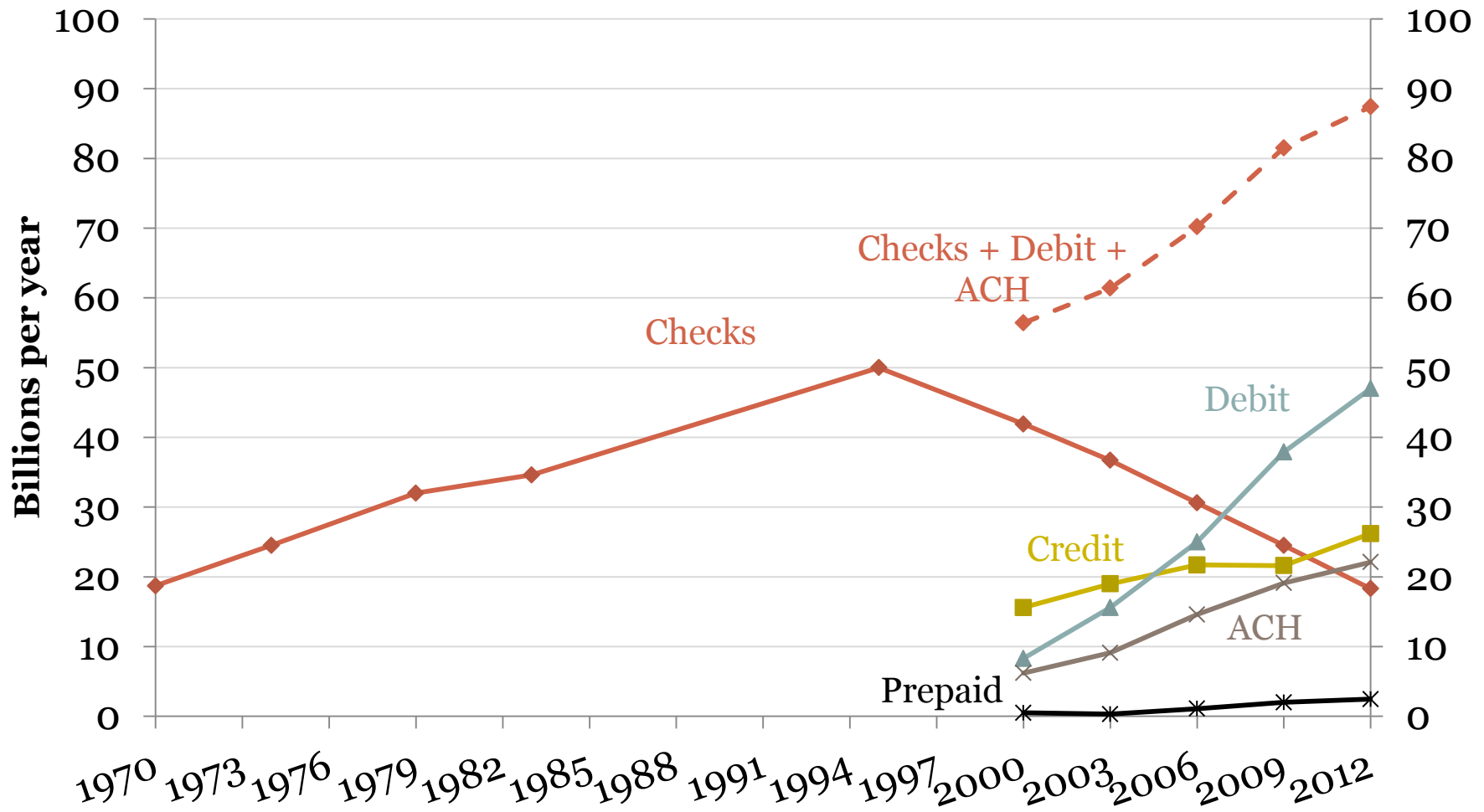
Lawrence Exter, Jr.

“Today”



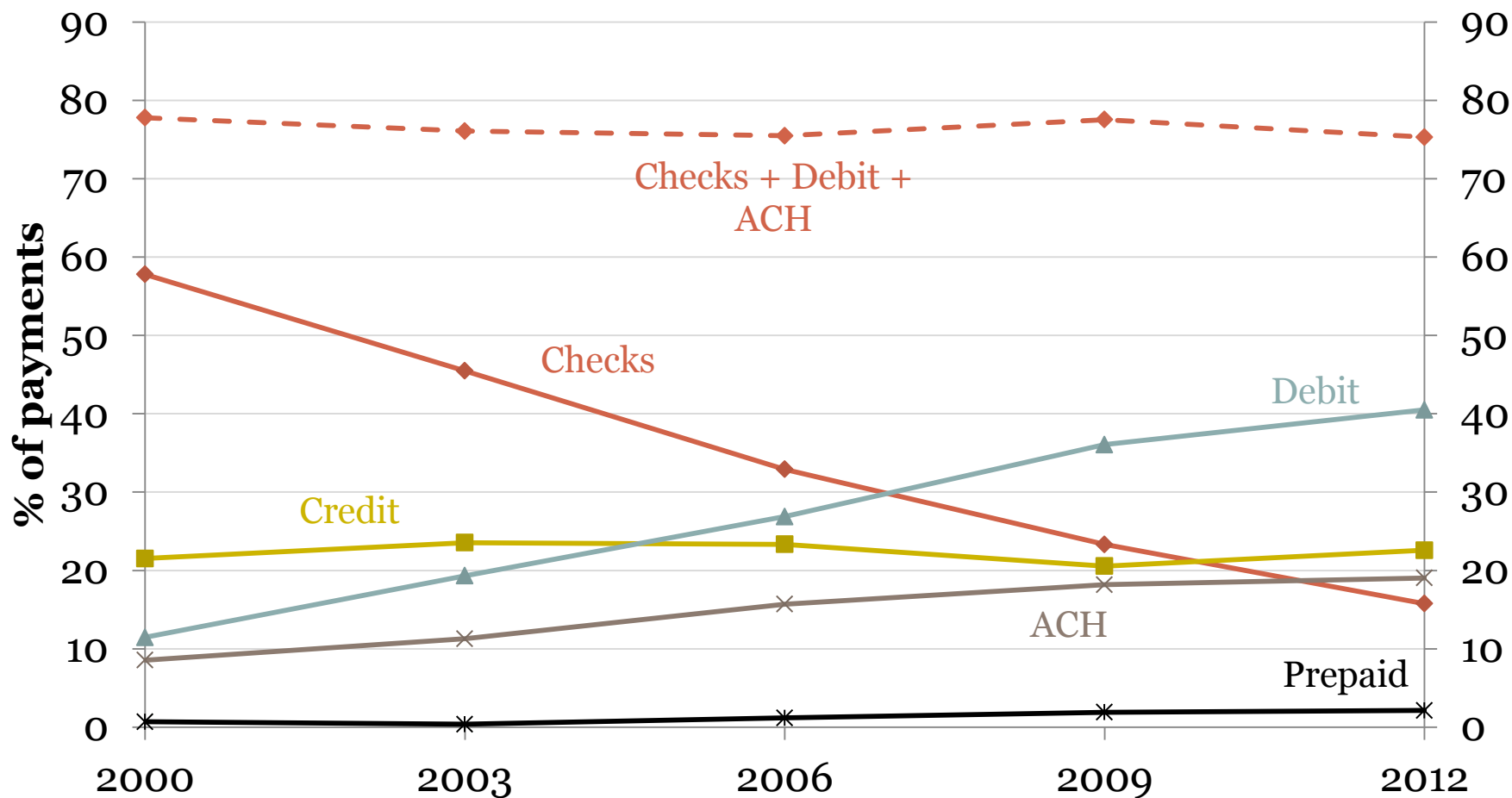
EasyPay
Online Bill Pay

Number of noncash payments



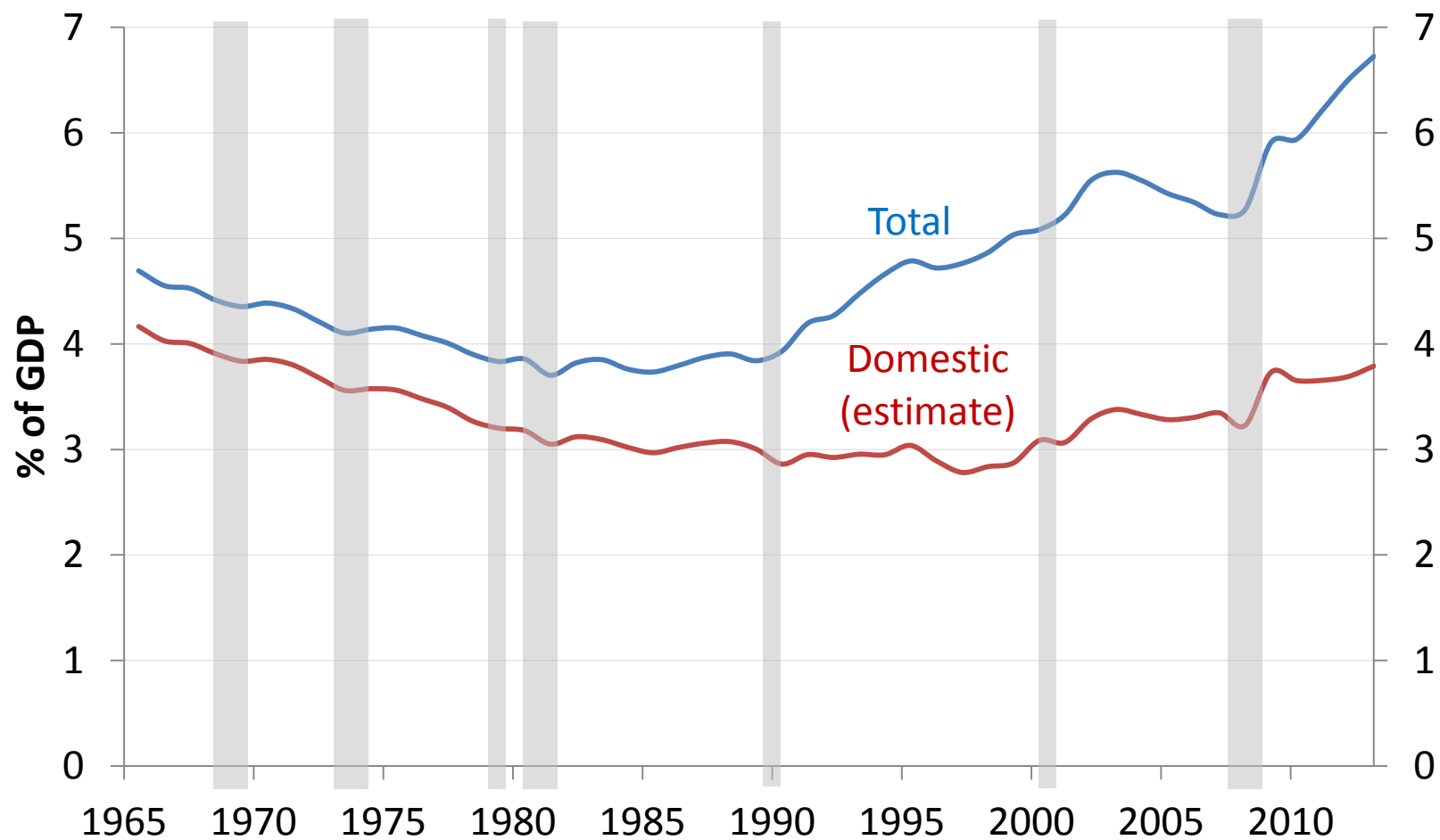
Sources: Federal Reserve Bank of Atlanta, Federal Reserve Payment Study (FRPS).

Share of noncash payments



Source: Federal Reserve Payment Study (FRPS).

U.S. currency in circulation



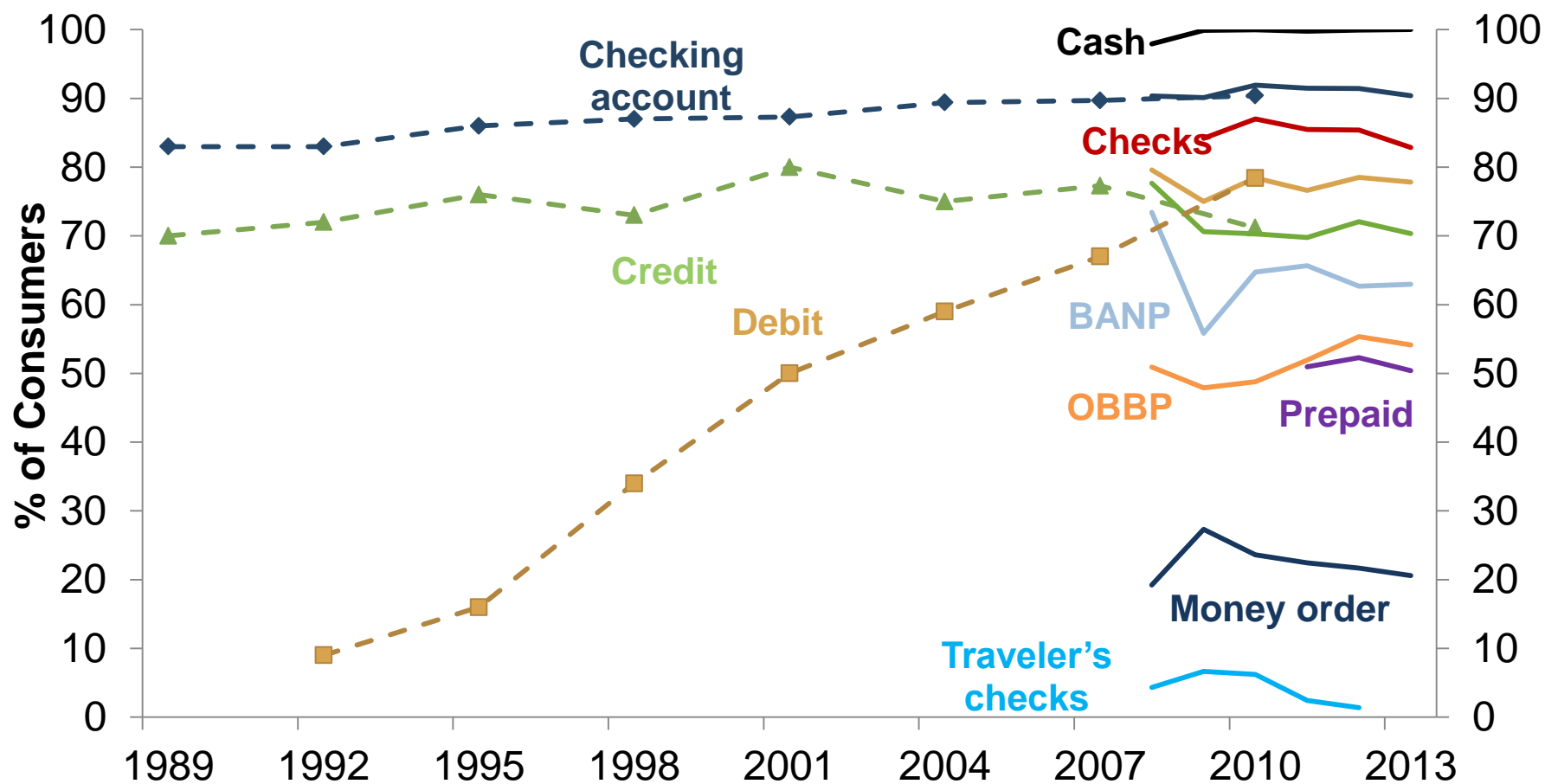
Source: Bureau of Economic Analysis / Haver Analytics, Federal Reserve Board / Haver Analytics, authors' calculations.



WHAT'S IN WALLET?

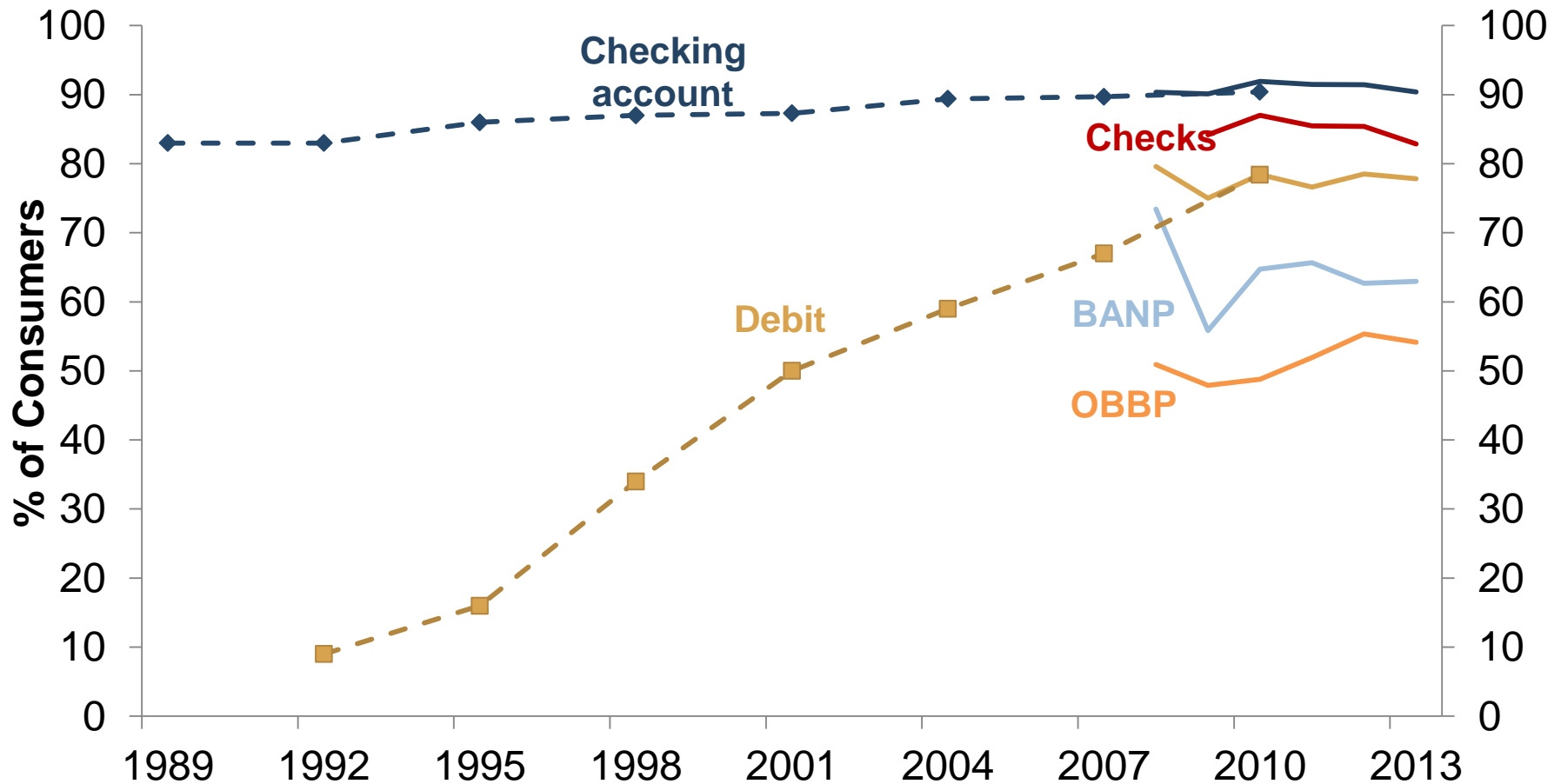
Consumer adoption of payment instruments

Adoption of payment instruments



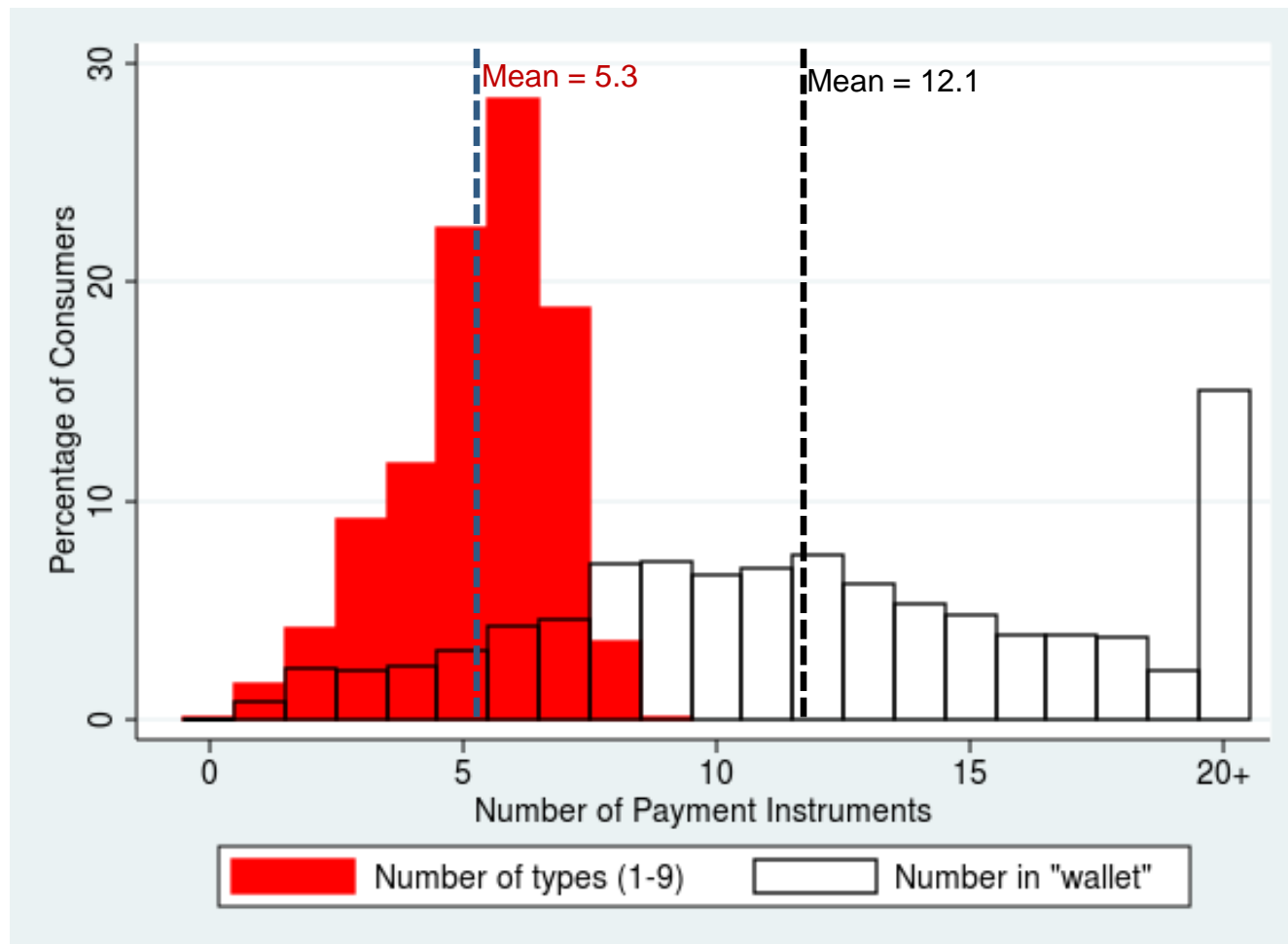
Source: Survey of Consumer Payment Choice; Survey of Consumer Finance.

Focus: ACH, check, debit



Source: Survey of Consumer Payment Choice; Survey of Consumer Finance.

Number of instruments held



Source: 2012 Survey of Consumer Payment Choice.

Cash holdings

	Mean (\$)	Median (\$)
Total	508	65
On person (wallet, purse)	64	29
On property	461	9

2013 Survey of Consumer Payment Choice, preliminary results.



HOW DO YOU PAY?

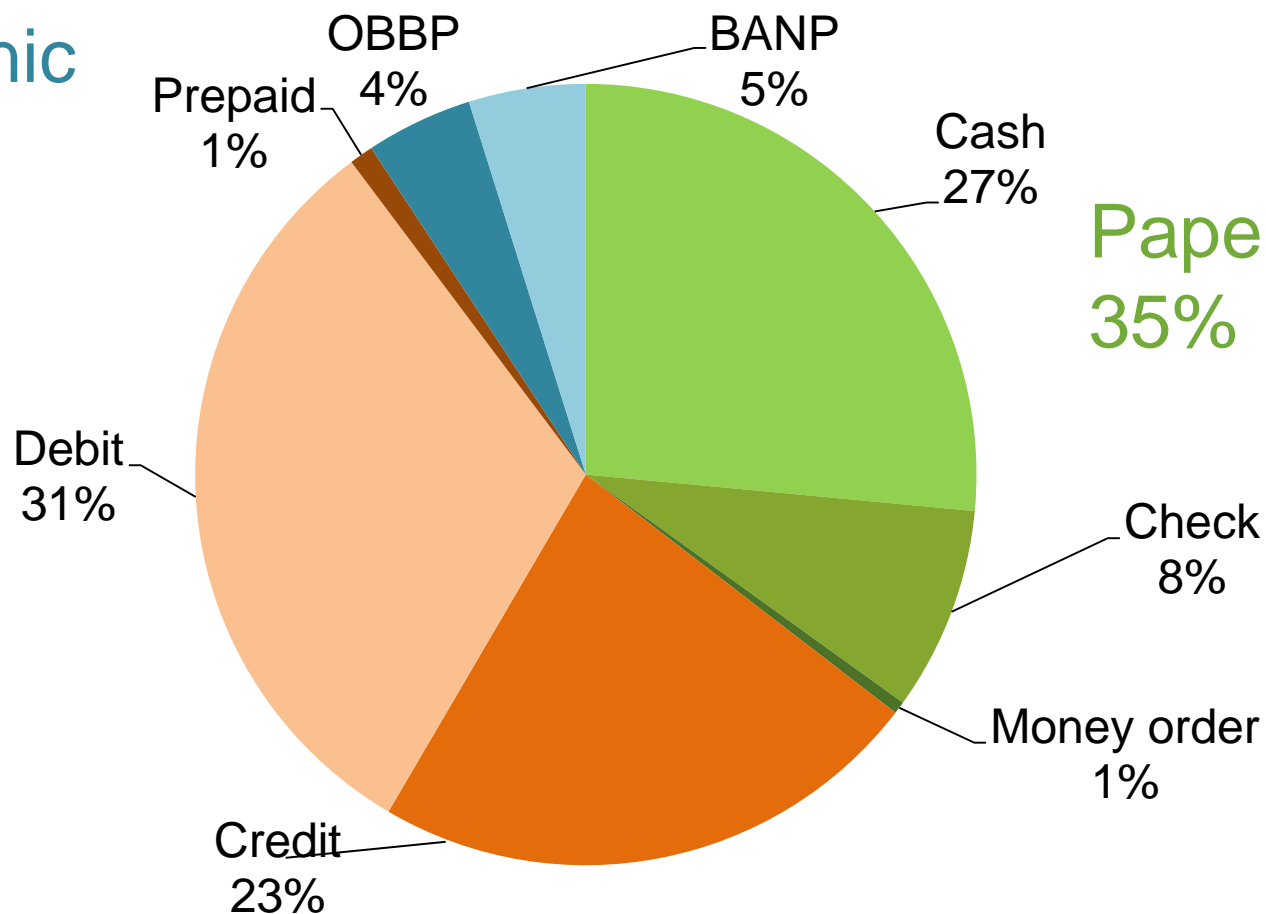
With what, for what, how much

Use of payment instruments

Electronic
9%

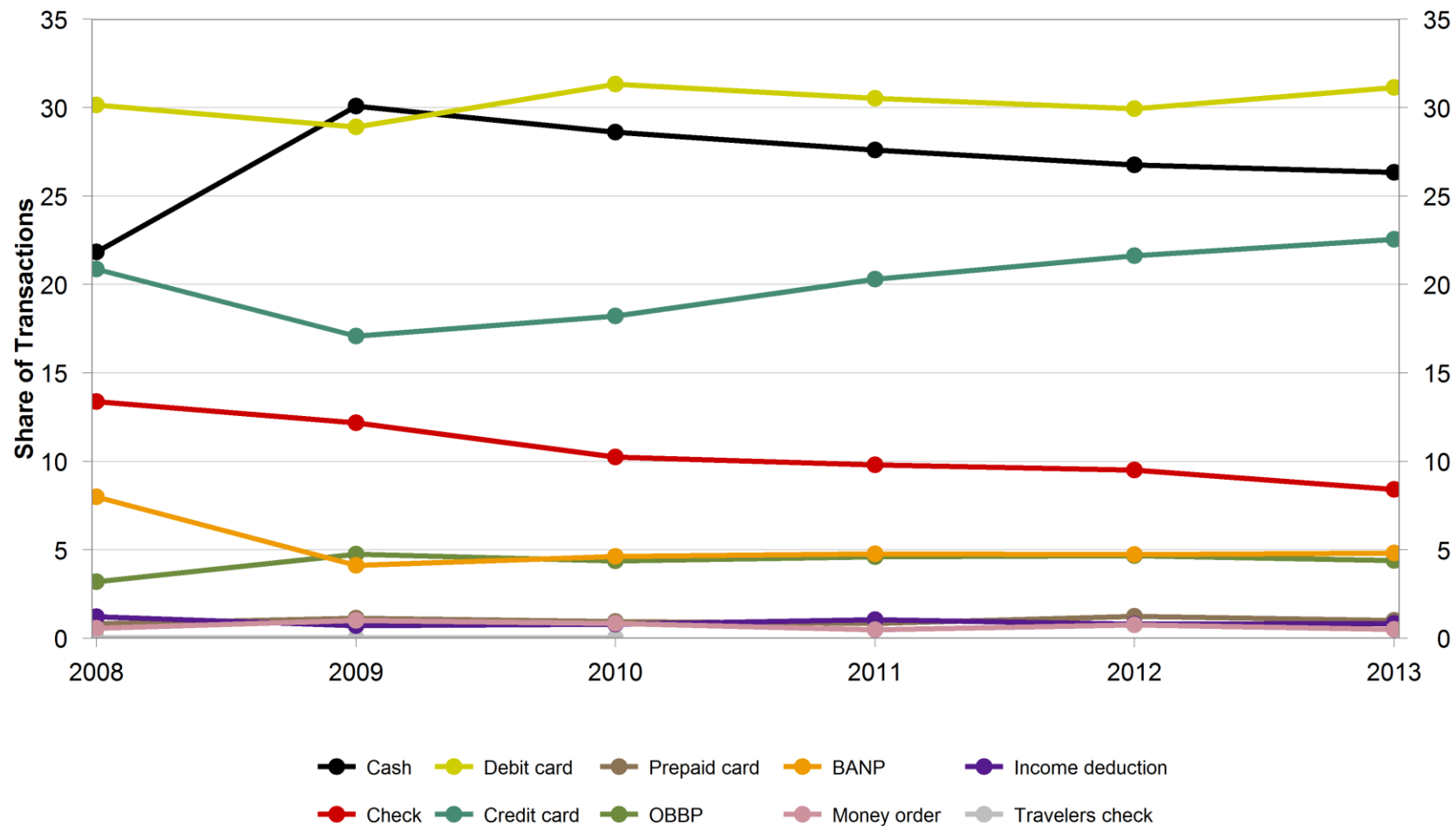
Paper
35%

Cards
55%

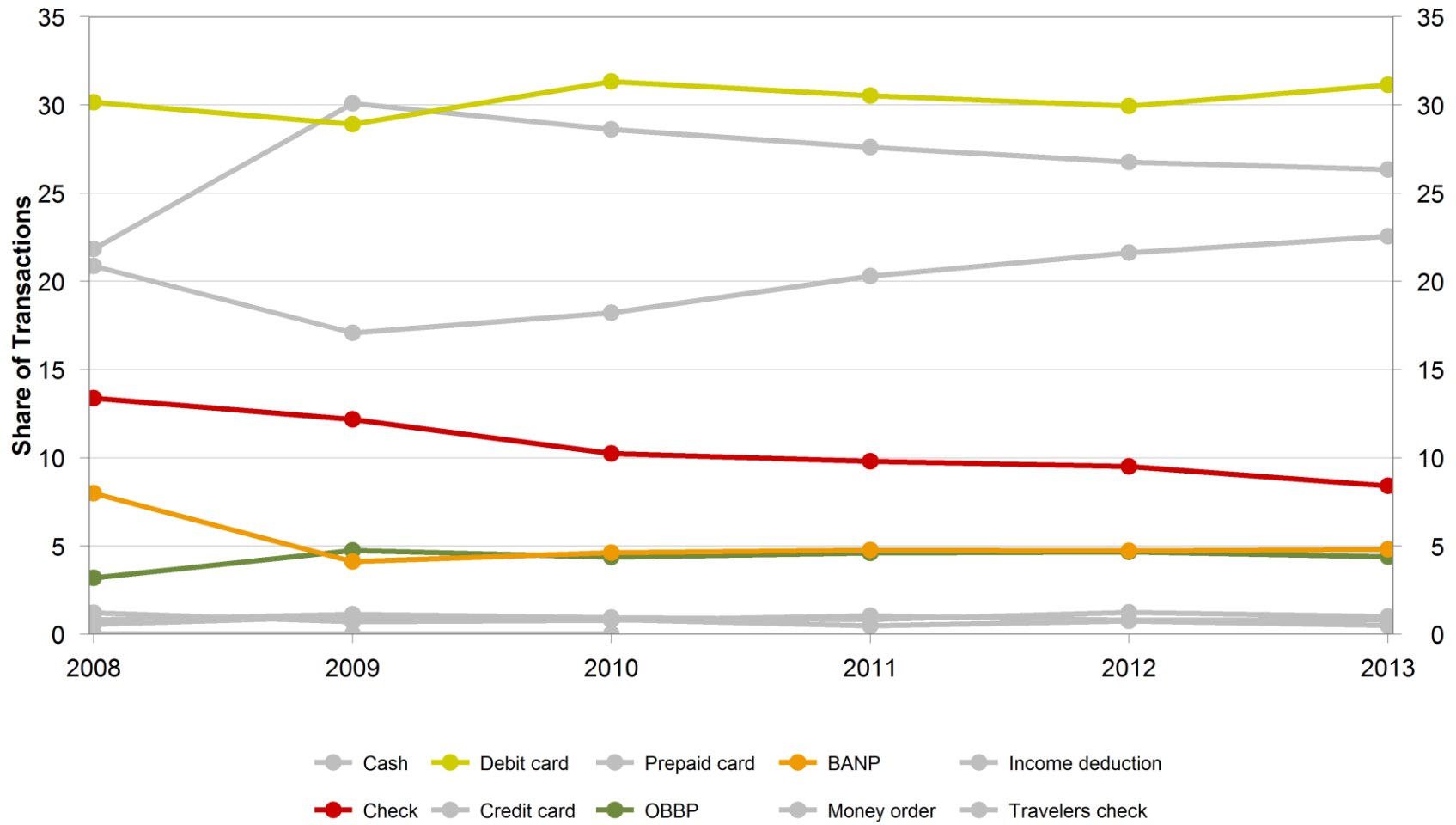


Source: 2013 Survey of Consumer Payment Choice, preliminary data.

Use 2008–2013

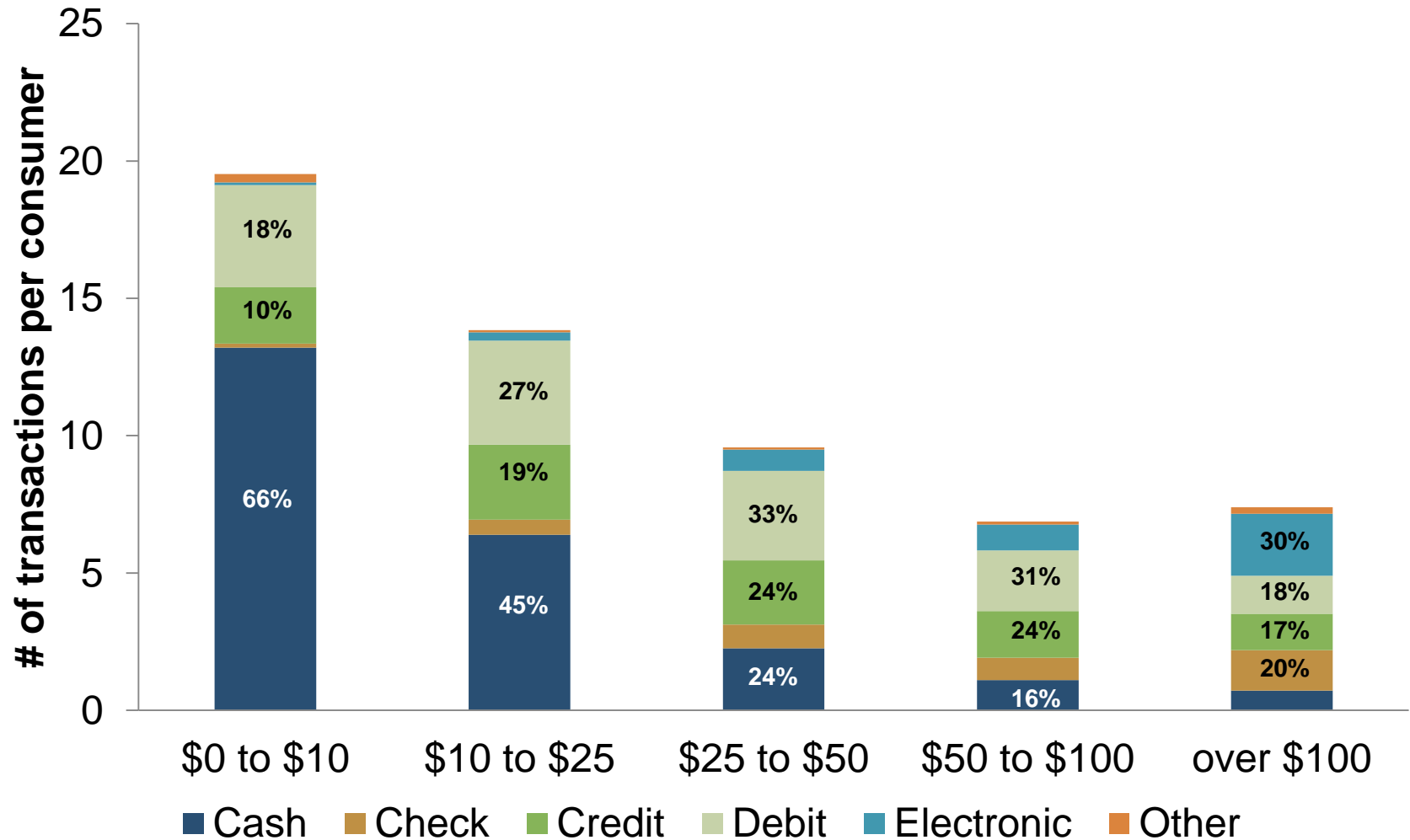


Focus: debit, check, BANP, OBBP



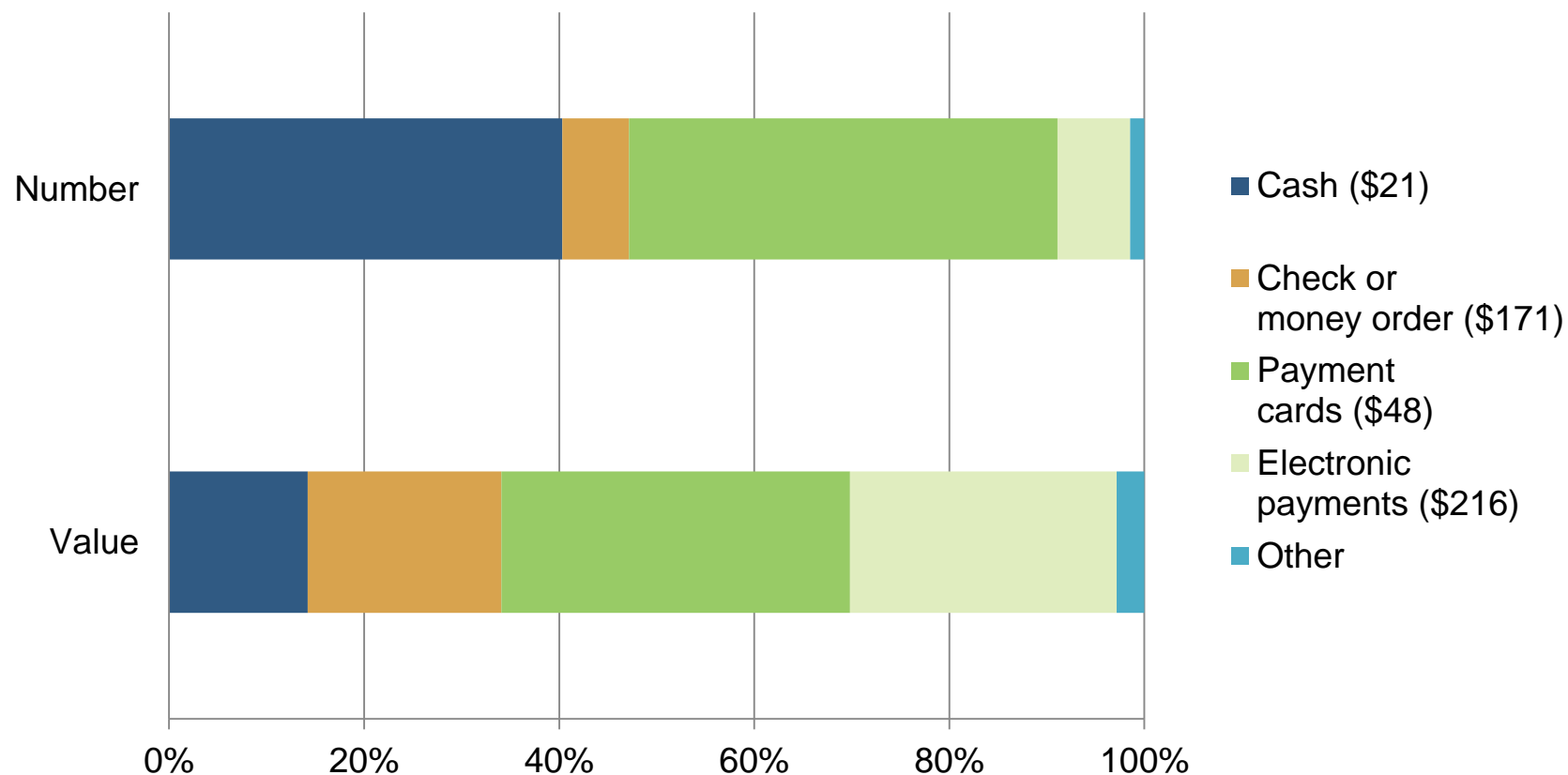
Source: 2013 Survey of Consumer Payment Choice, preliminary data.

Payments by dollar amount



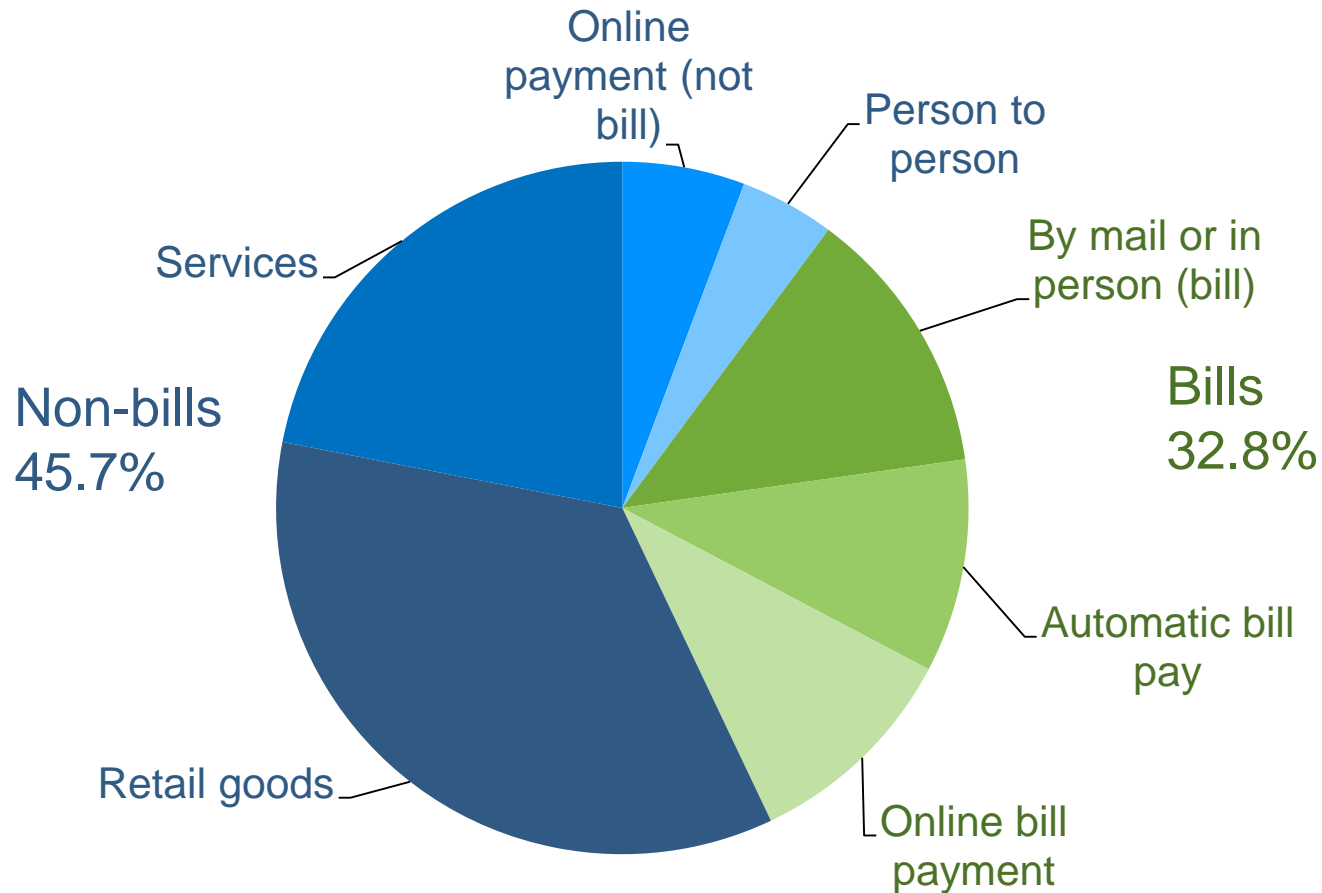
Source: 2012 Diary of Consumer Payment Choice, preliminary results.

Payments by instrument type



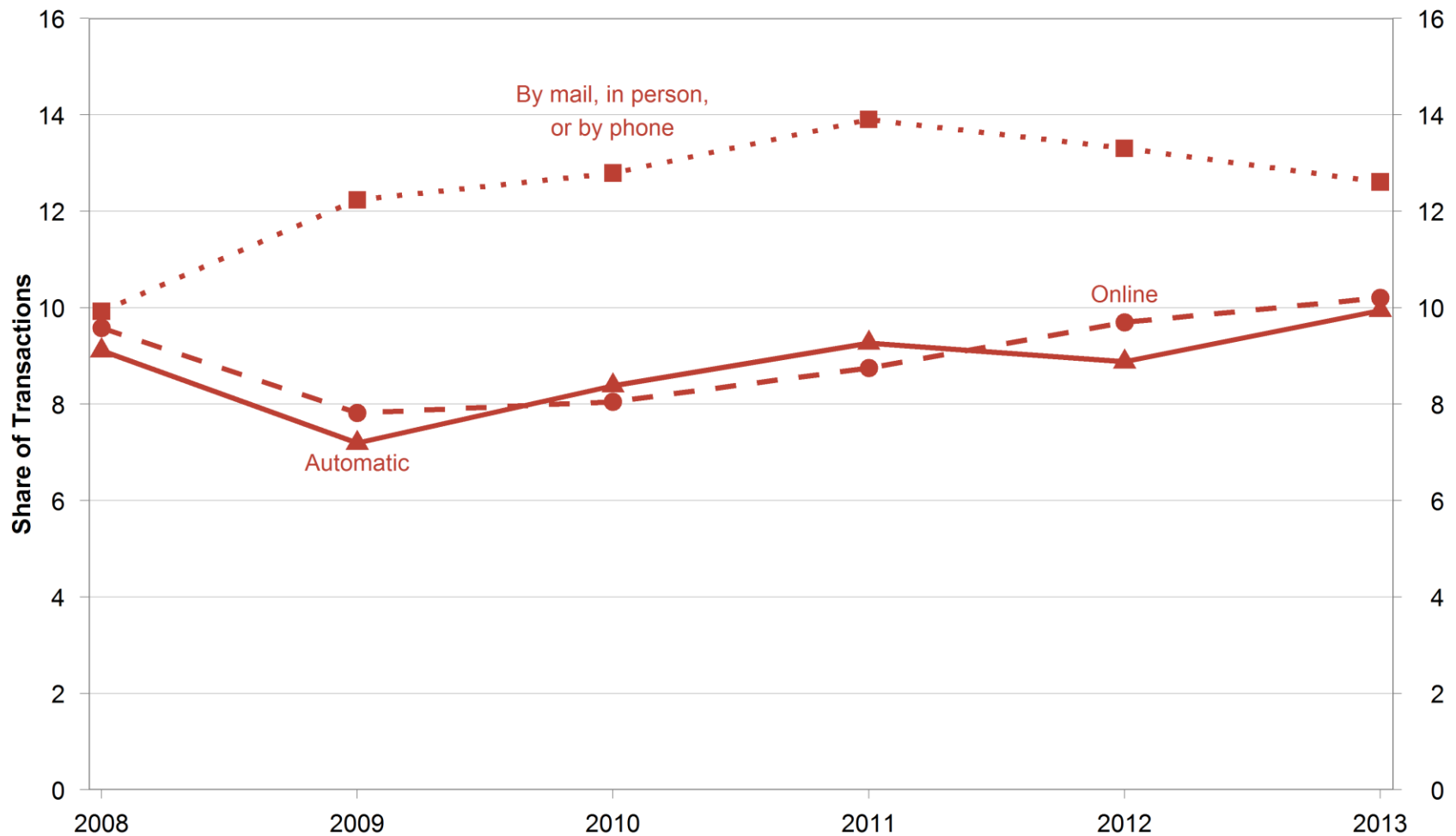
Source: 2012 Diary of Consumer Payment Choice, preliminary results.

Payments by transaction type

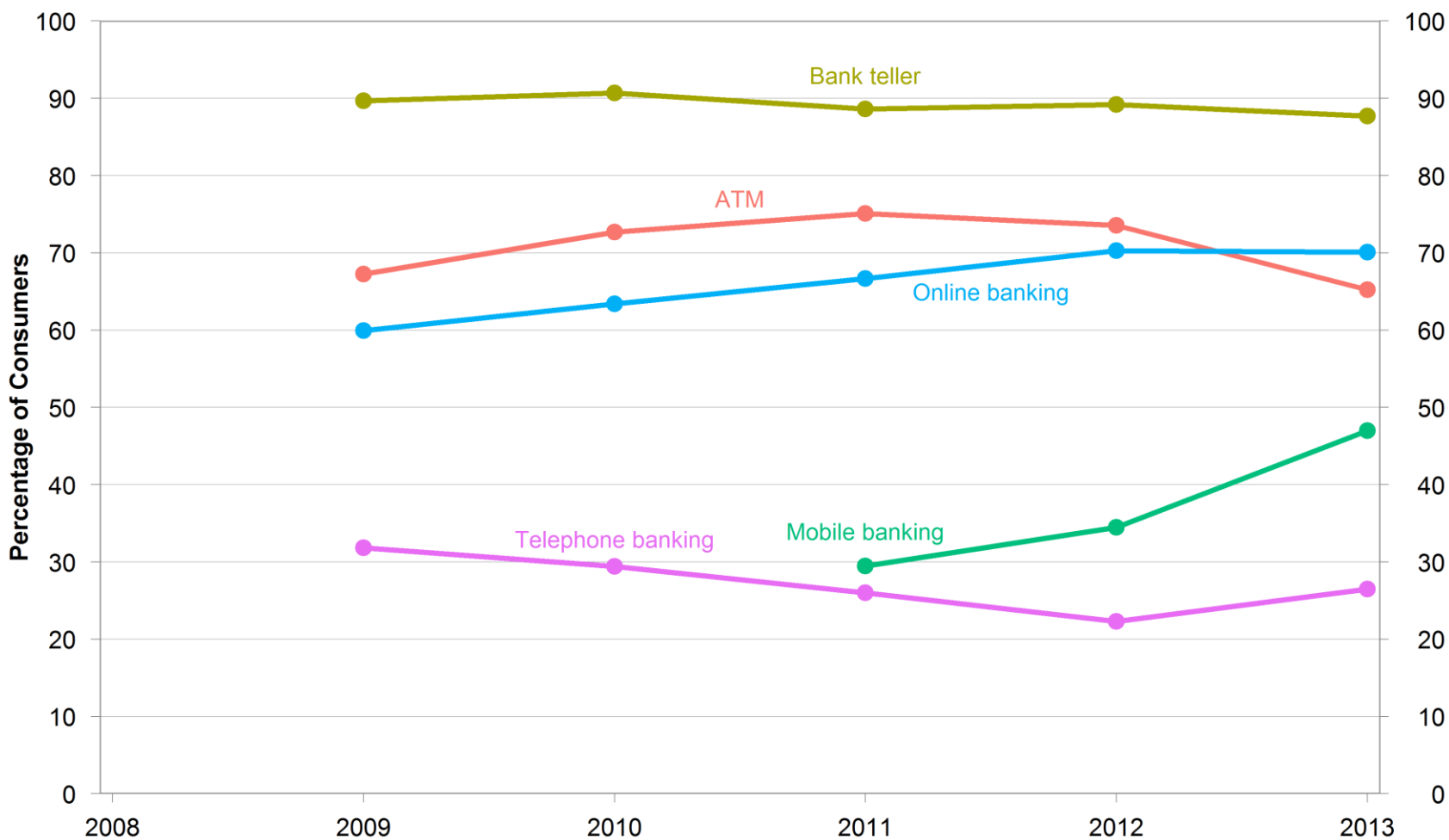


Source: 2013 Survey of Consumer Payment Choice, preliminary results.

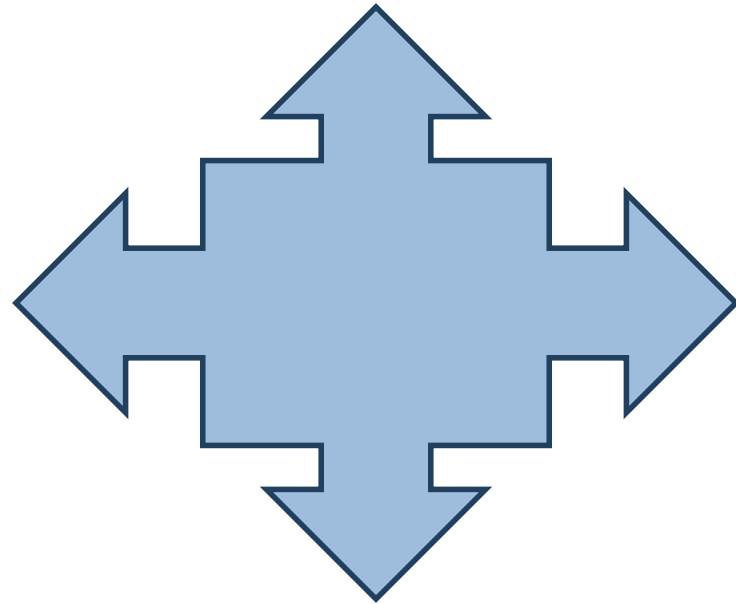
Bill payments by type



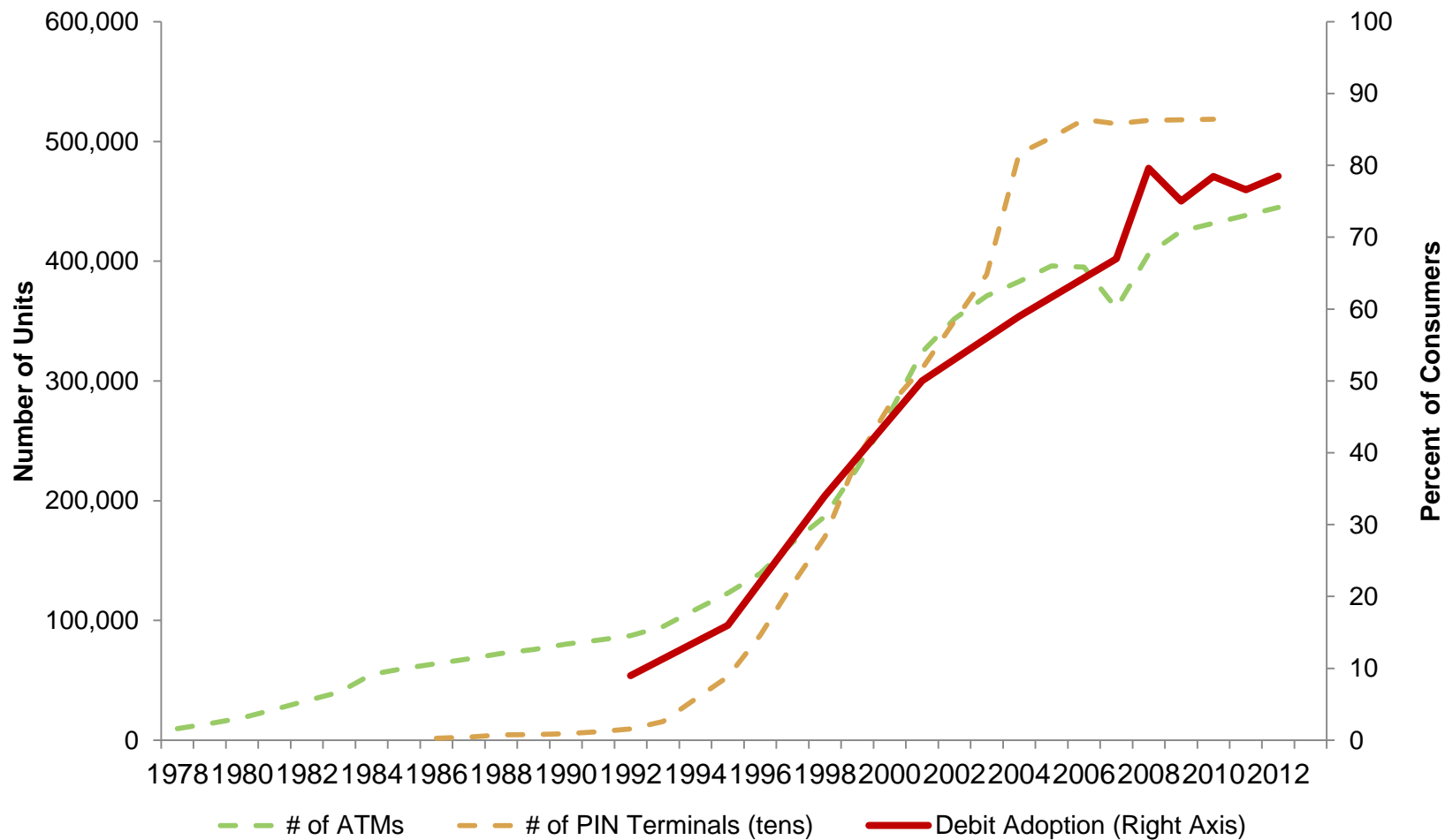
Access to bank accounts



Technology diffusion

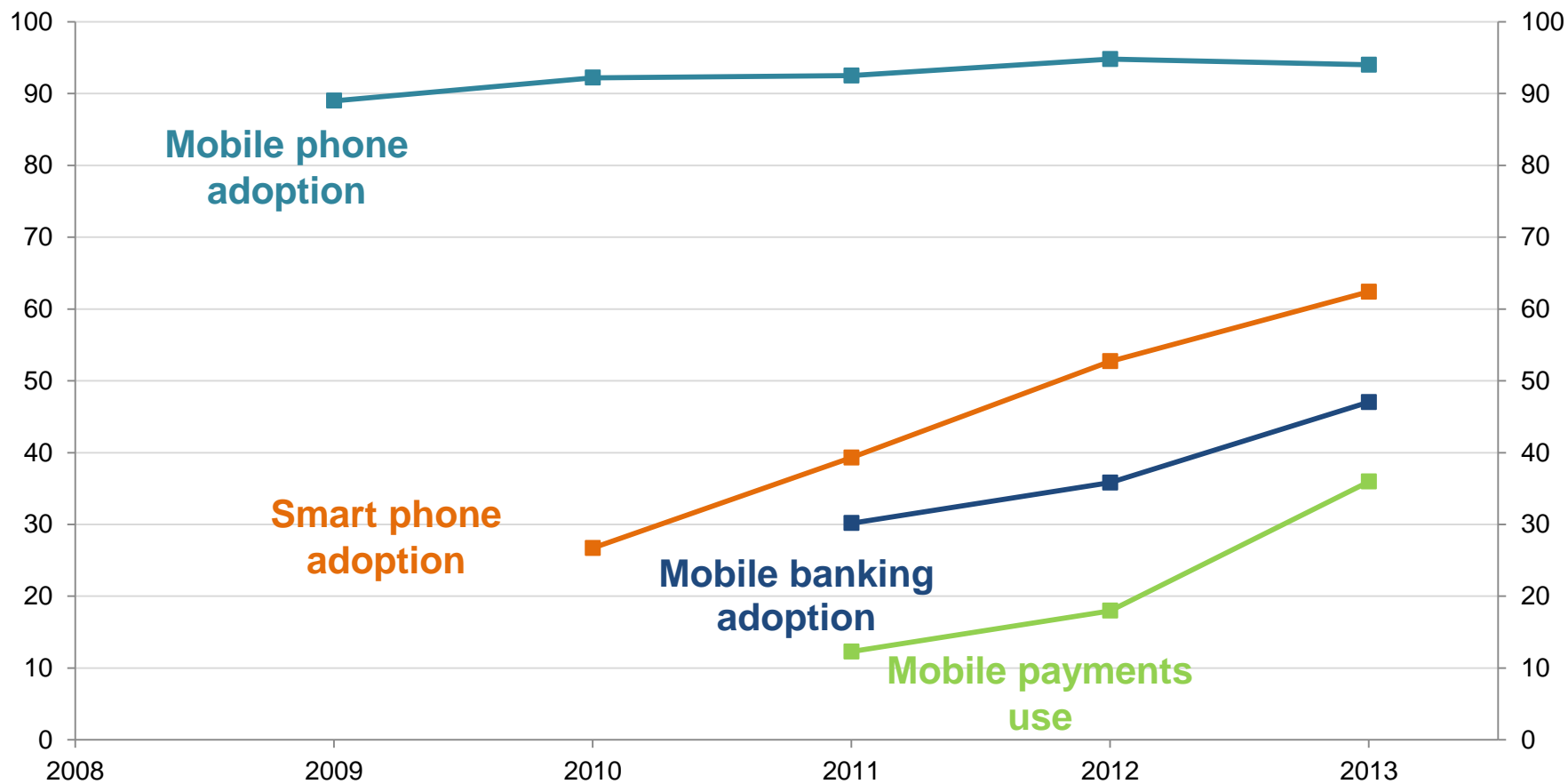


ATMs, PIN terminals, and debit cards



Source: BIS Redbook; IBIS World; DataMonitor; Survey of Consumer Finances; Survey of Consumer Payment Choice.

Mobile banking and payments



Source: 2008-2013 Survey of Consumer Payment Choice.

Virtual currency

% of Respondents	All Virtual Currency	Bitcoin Only	Other Virtual Currency Only
Heard of virtual currency	47	43	1
Ever owned virtual currency	1.4	0.1	0.1
Currently own	0.8	0.1	0.1
Previously owned	0.6	0.0	0.0



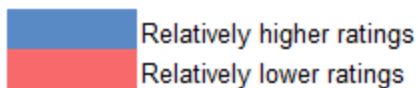
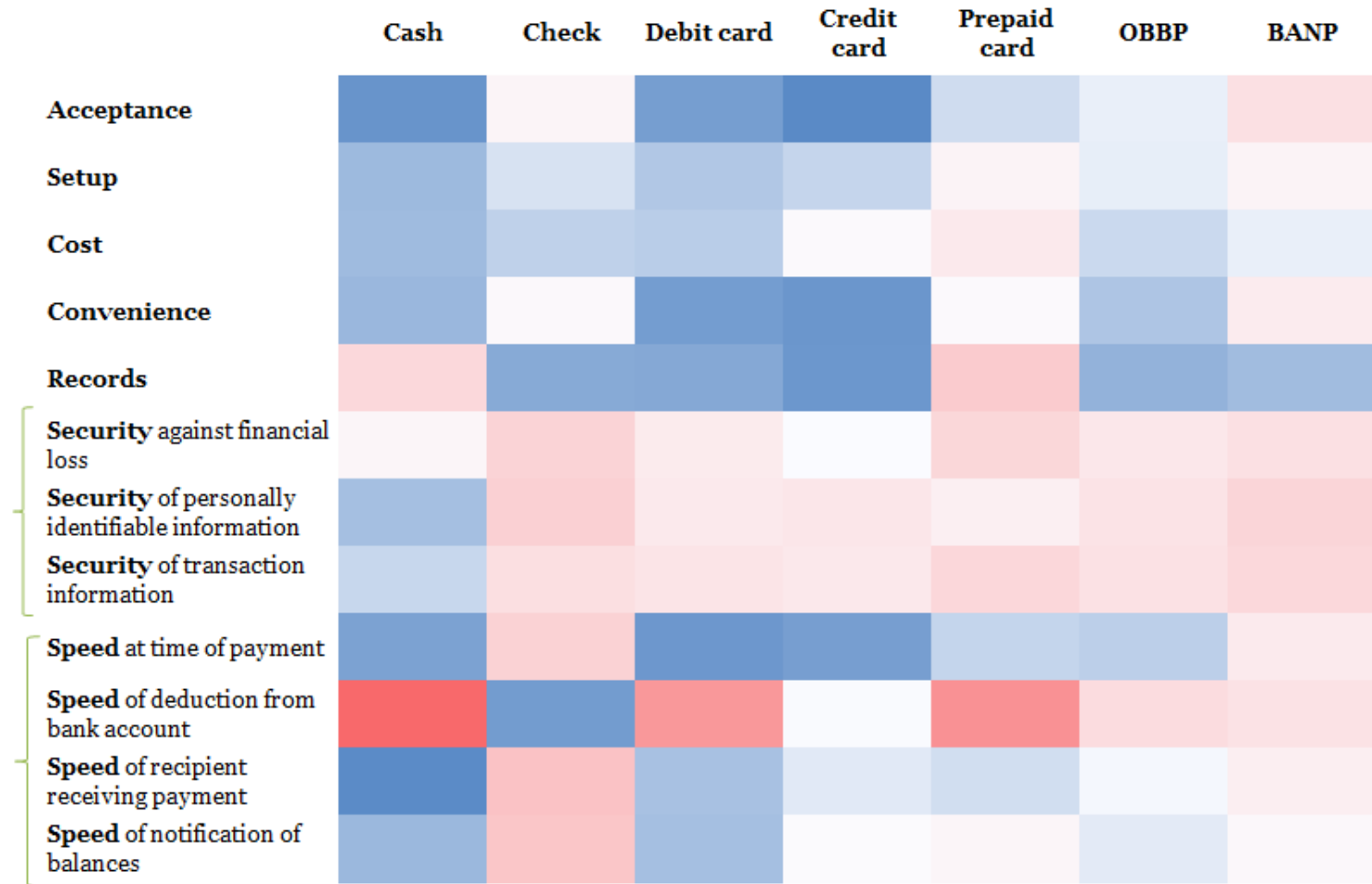
SECURITY & PRIVACY

Rankings, effect on payment adoption and use

Characteristics

- Security
- Acceptance
- Cost
- Convenience
- Getting or setting up
- Record keeping
- Speed

Consumer ratings

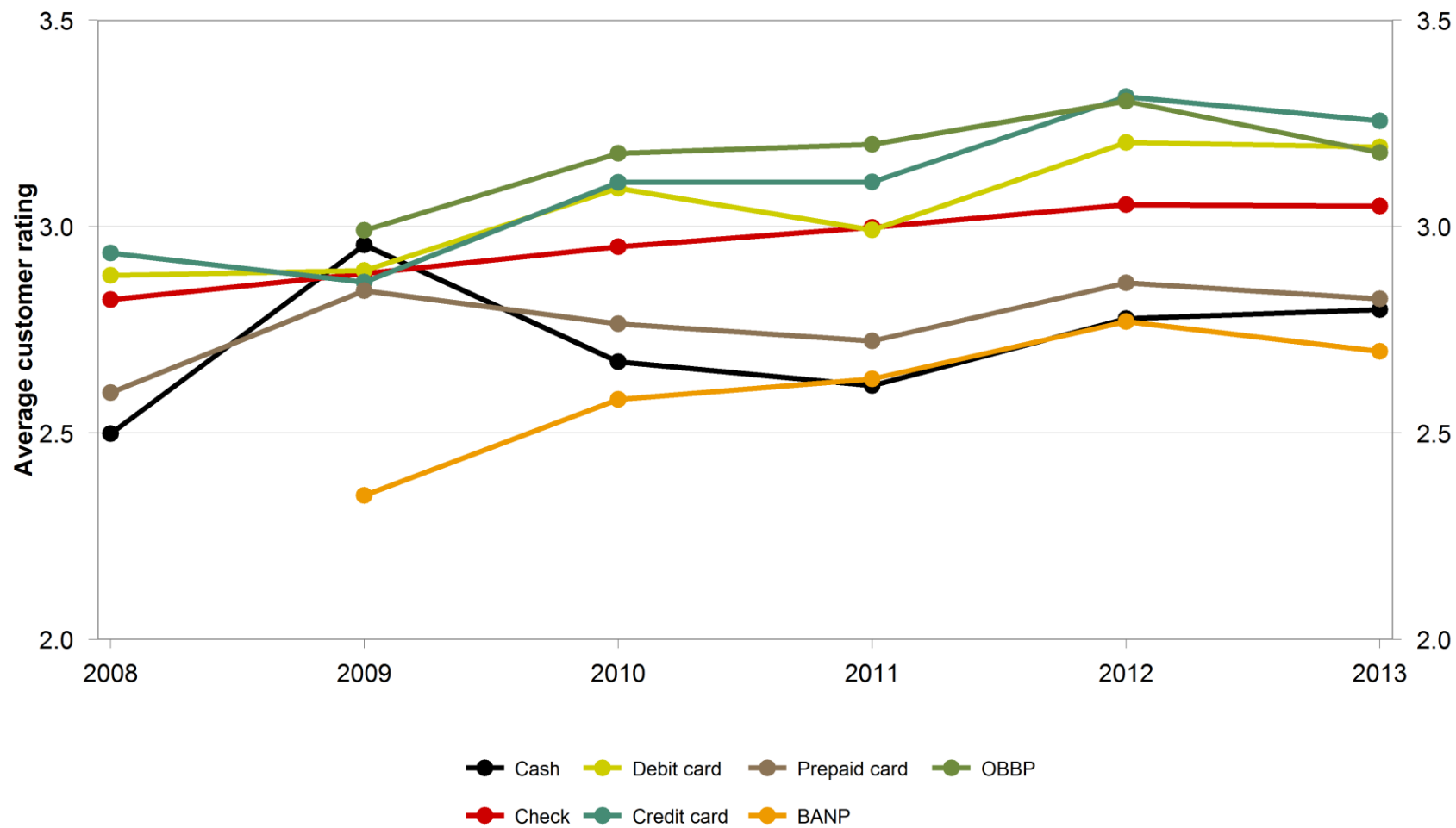


Source: 2013 Survey of Consumer Payment Choice, preliminary results.

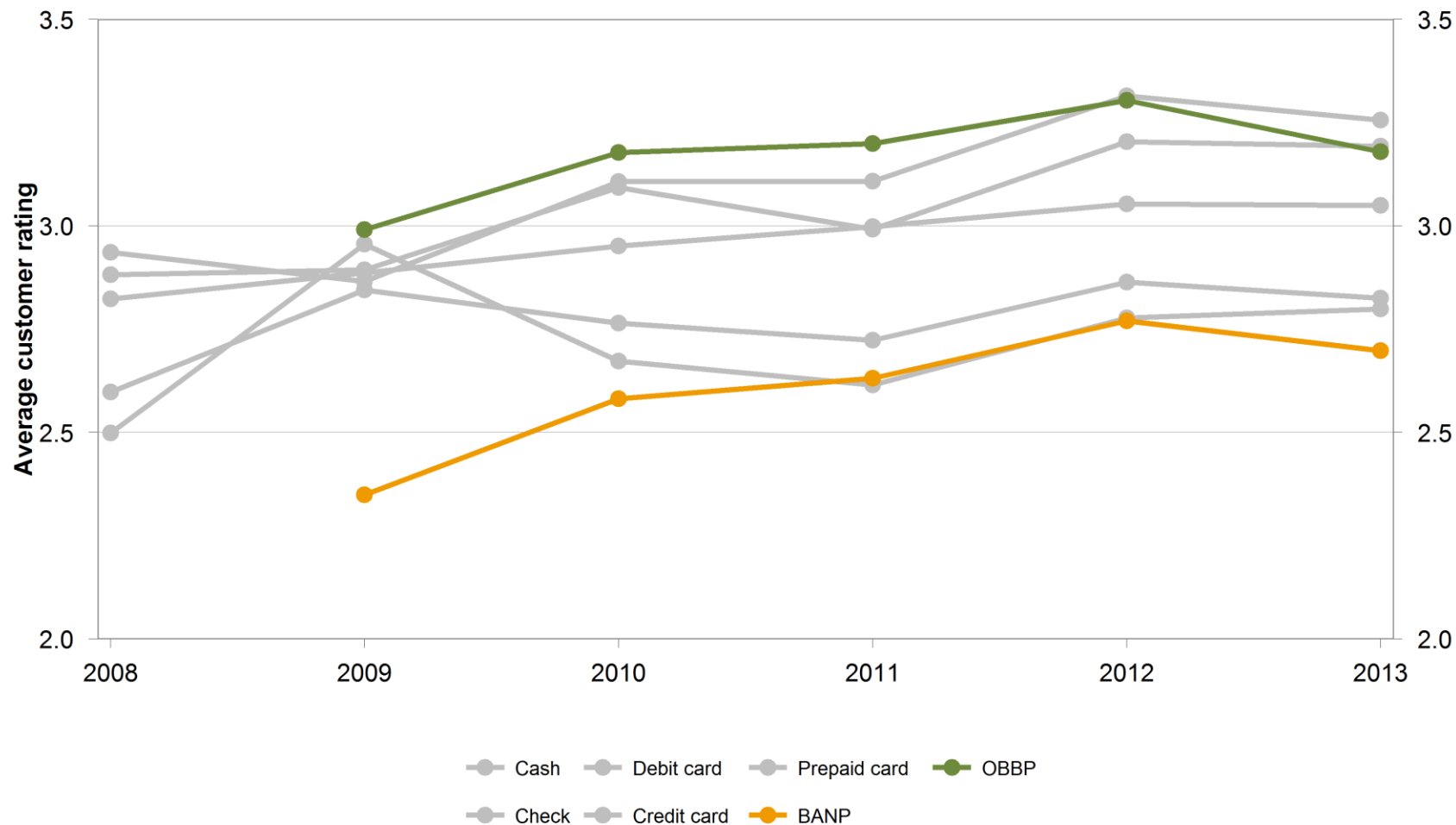
Security: Most important?

	2008	2009	2010	2011	2012	2013
Security	1	1	1	1	1	2
Convenience	2	2	2	2	2	1
Cost	4	3	3	3	3	3
Acceptance	5	4	4	4	4	4
Payment records	6		5	5	5	5
Set up	8		6	6	6	6
Control of timing	3					
Speed	7					

Security ratings



Focus: OBBP & BANP



Source: 2013 Survey of Consumer Payment Choice, preliminary results.

Ratings: It depends

- Location
- Type of remote access
- Type of debit authorization

Do security improvements change payment behavior?

- Adoption
 - other attributes much more significant
 - cost, convenience, set up, record keeping
- Use
 - statistically significant in regression of credit and debit card use
 - but magnitude of changes very small
- Direct effect on consumer payment behavior likely very small
- But if merchants and/or banks benefit → consumers will likely benefit indirectly
- Improvements in security may reinforce payment system stability and trust



TAKE-AWAYS

Take-aways

- Transformation from paper to electronic
 - Consumers keep old methods as they add new
- Cash is alive and well
 - Use of checks declining, offset by debit increase
 - Online transactions increasing
- Payment characteristics affect adoption & use
 - Demographics and income matter, too

In Pursuit of a Better Payment System



Federal Reserve 2012–2016 Strategic Plan

- Faster
- Safer
- More attention to end users

<https://fedpaymentsimprovement.org/>



Federal Reserve Surveys

Free online data and reports for
economic education and research

- Survey & Diary of Consumer Payment Choice
- Survey of Consumer Finances
- Survey of Household Economics & Decisionmaking
- Survey of Consumer Expectations
- Consumers & Mobile Financial Services
- Federal Reserve Payments Study

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