

Federal Reserve Bank of Boston

Consumer Payment Survey

Federal Reserve System

June 2004

Marques Benton, Krista Blair, Marianne Crowe, and Scott Schuh

October 25, 2004

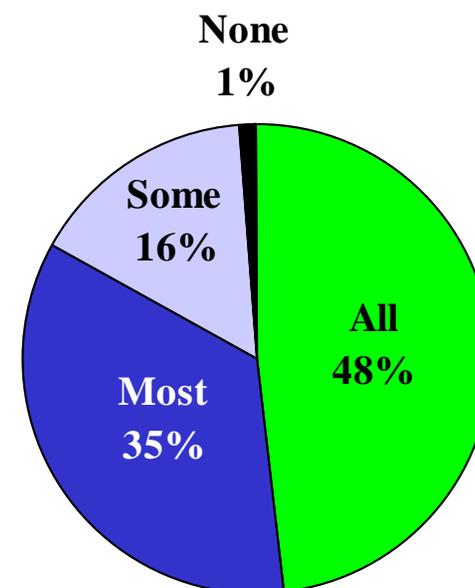
Updated: September 2006

Consumer Payment Survey

- Study of consumers' behavior and attitudes toward payment methods -- checks and "electronics" (credit and debit cards, ACH, internet banking, and stored value cards).
- Central purpose was to learn about consumers' payment behavior and its implications for payment system, especially checks.
- Federal Reserve System employees surveyed in June, 2004. Response rate of 24% (5344) via Boston Fed's Intranet (5110) and hard copy (234). Due to technical difficulties, the number of valid responses is 4633 (21%).
- **FR System employees are not representative consumers.** Respondents are similar ages to entire Bank staff, but are older, have larger incomes, and are more educated than U.S. public. Bank employees also have a better understanding, on average, of payment system issues.
- For more details, see "A Survey of Consumer Payment Behavior" by Marques Benton, Krista Blair, Marianne Crowe and Scott Schuh, Federal Reserve Bank of Boston Public Policy Discussion Paper, forthcoming.
- Please direct questions and comments to Scott Schuh or David Brown, FRB Boston Research Department

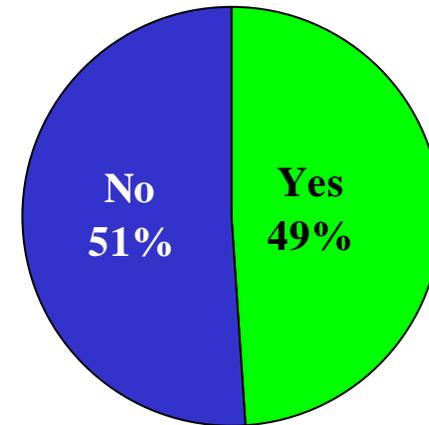
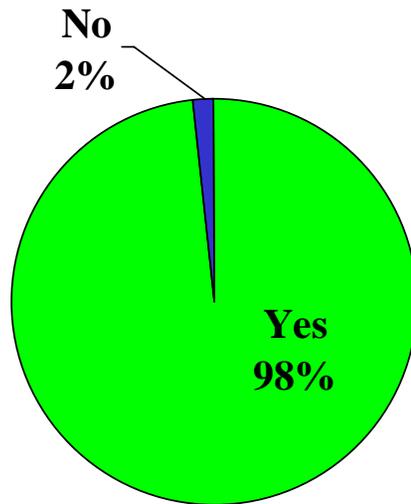
Most respondents are the primary bill payers in their household

- How much responsibility do you have for paying bills and making purchases for your household?*



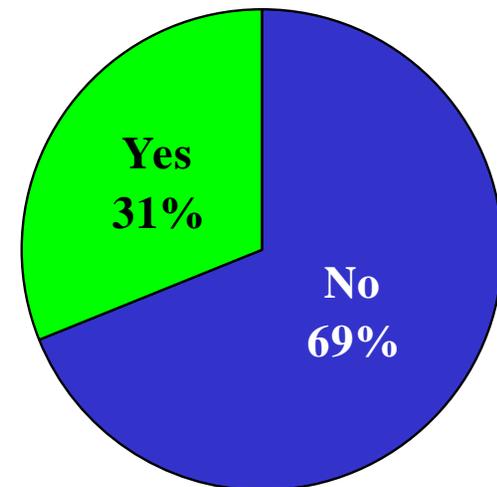
Nearly all respondents have a checking account but only half earn interest

- *Do you have a checking account?*
- *Does your primary checking account earn interest?*



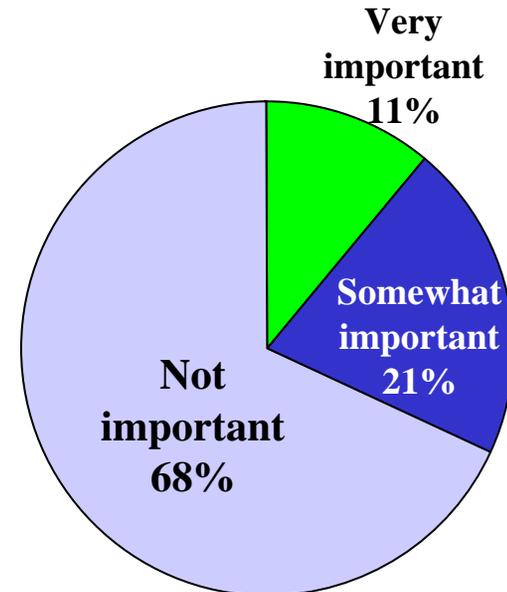
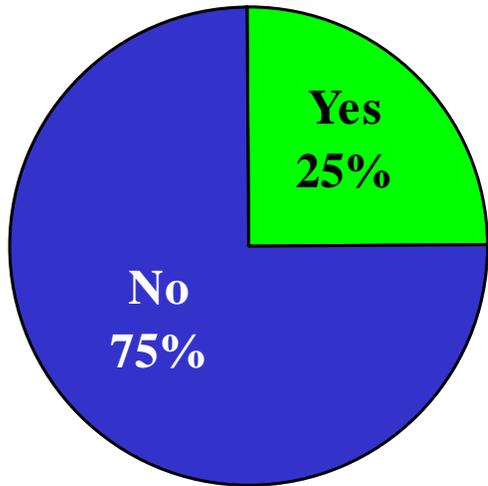
Almost one-third of the respondents would write fewer checks if they lost their “float”

- *Would you use fewer checks to pay for purchases if money was withdrawn from your checking account the same day you wrote the check?*



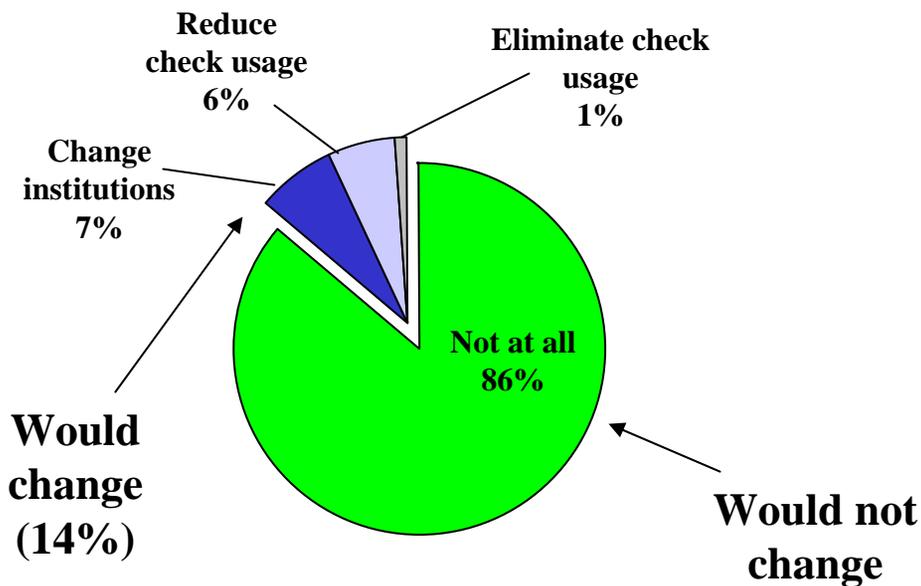
Most respondents are not concerned about receiving their canceled checks back

- *For your primary checking account, does your financial institution return your canceled checks to you?*
- *How important is it to receive your canceled checks back?*

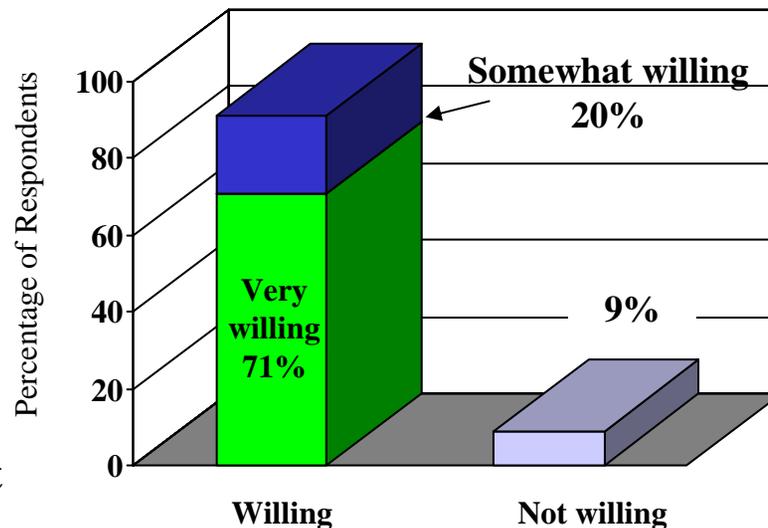


Few respondents would alter checking behavior if canceled checks were not returned, and almost all would accept an image

- *How would your checking behavior change if your financial institution stopped sending your canceled checks back?*



- *How willing would you be to receive an image copy (either paper or electronic) of the front of your check instead of receiving canceled checks?*

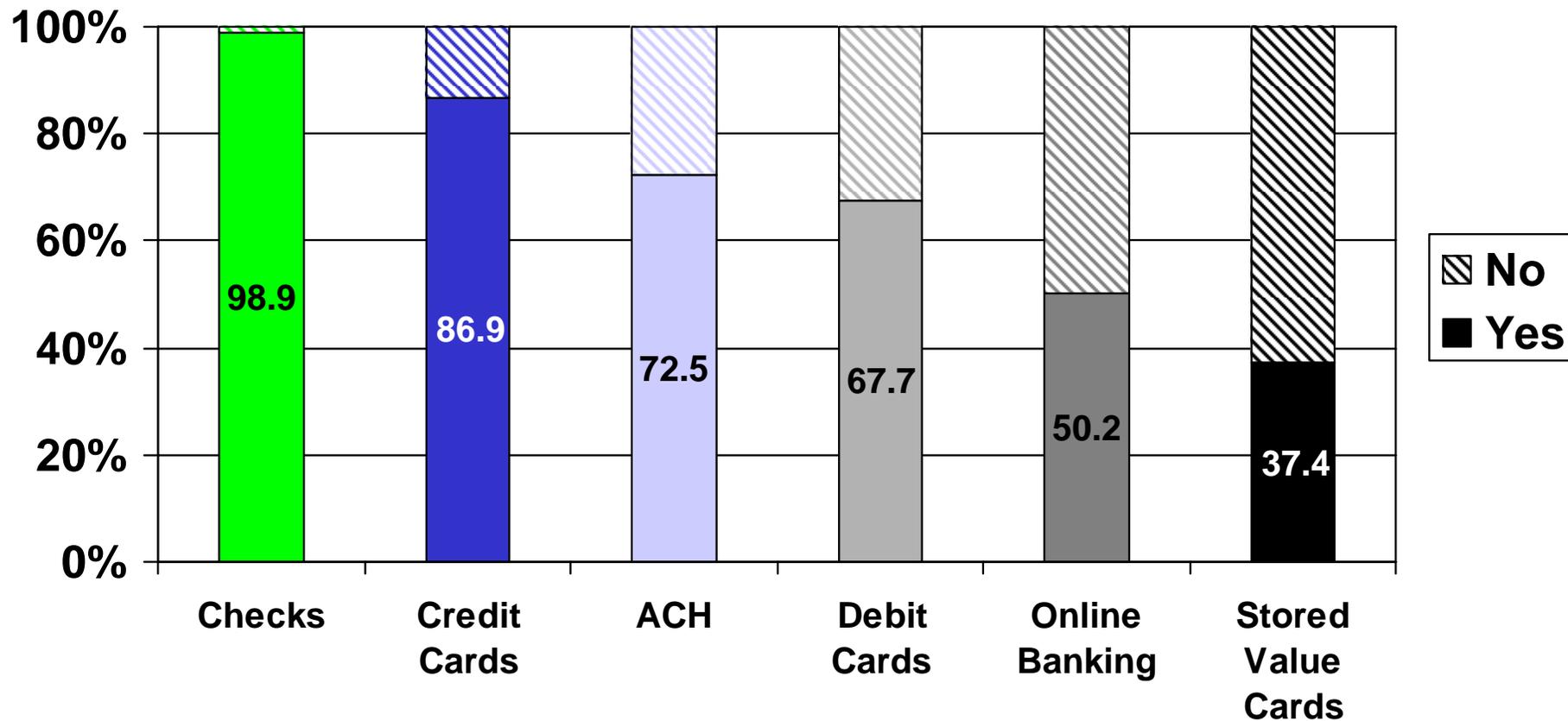


If not willing to receive either a paper or electronic copy image of your cancelled check, why not?

Rank	Reason	Number of responses	Percent of respondents
1	Don't need/want them	30	8
2	Want copies of both sides, not just front	24	7
3	Too much paper	21	6
4	Concerns about theft/errors	13	4
5	Want the original check back	9	2

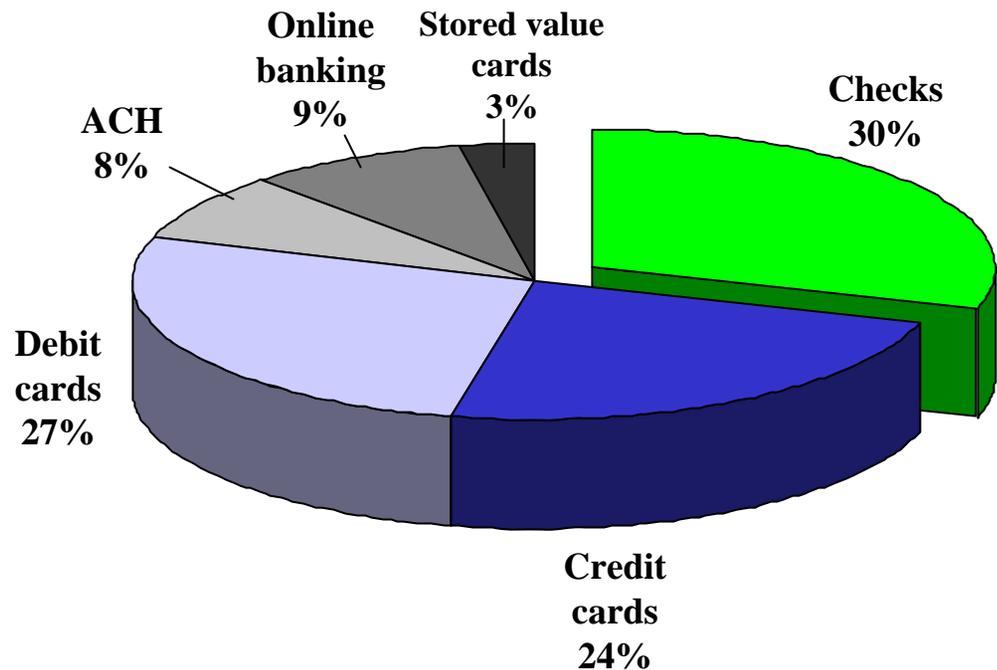
Traditional payment methods are still most commonly used by respondents

- For each method, do you ever use it?



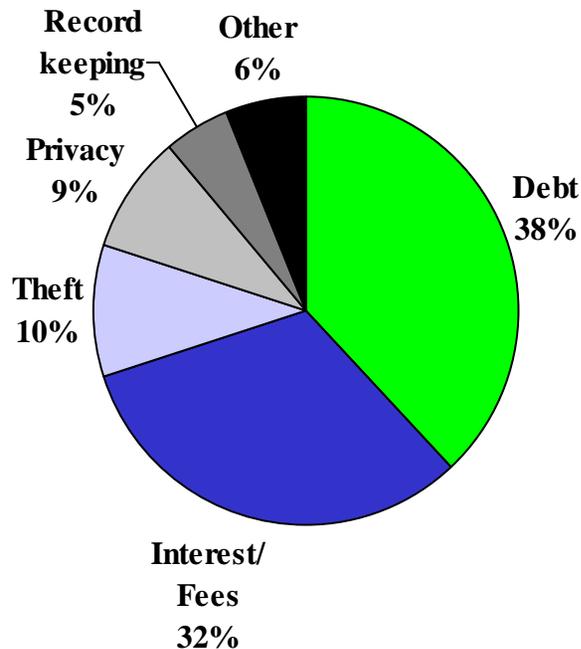
But checks only account for less than one-third of all payment transactions

- *For each method, estimate the number of payment transactions you make in a typical month.*

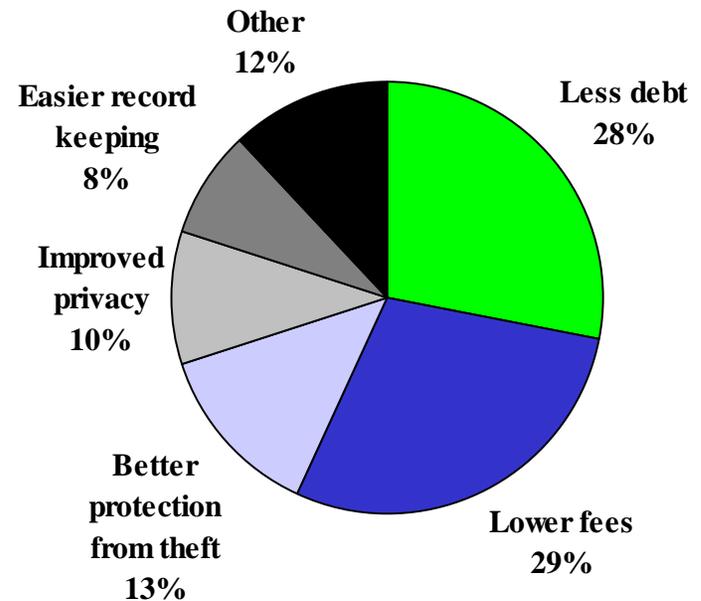


Debt, costs, and vulnerability limit the use of credit cards

- *If you DO NOT use credit cards, why not?*

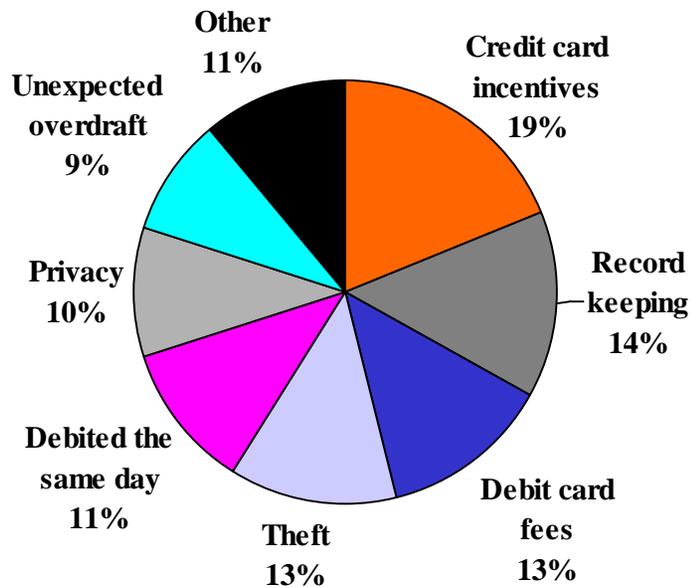


- *What might cause you to use credit cards in place of checks?*

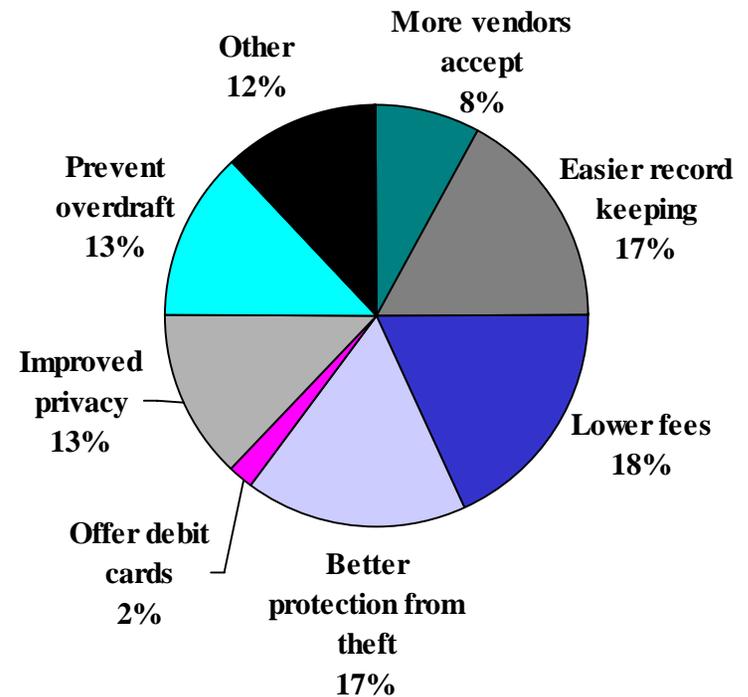


Many different factors limit the use of debit cards

- If you DO NOT use debit cards, why not?*



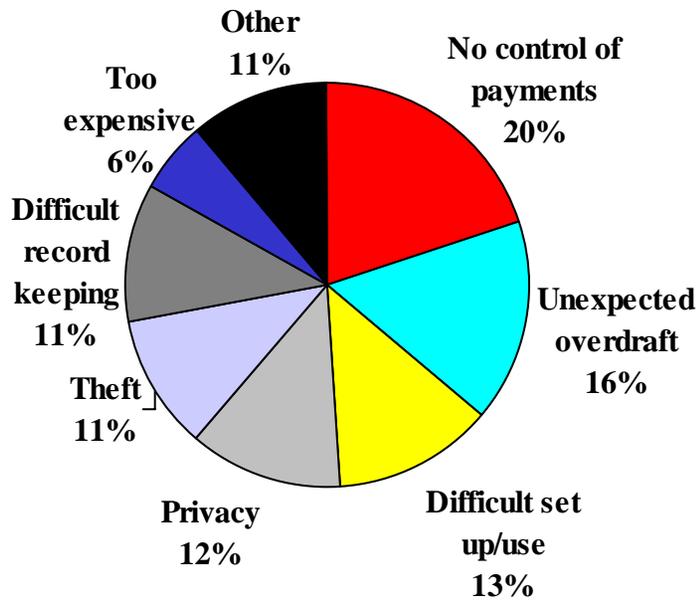
- What might cause you to use debit cards in place of checks?*



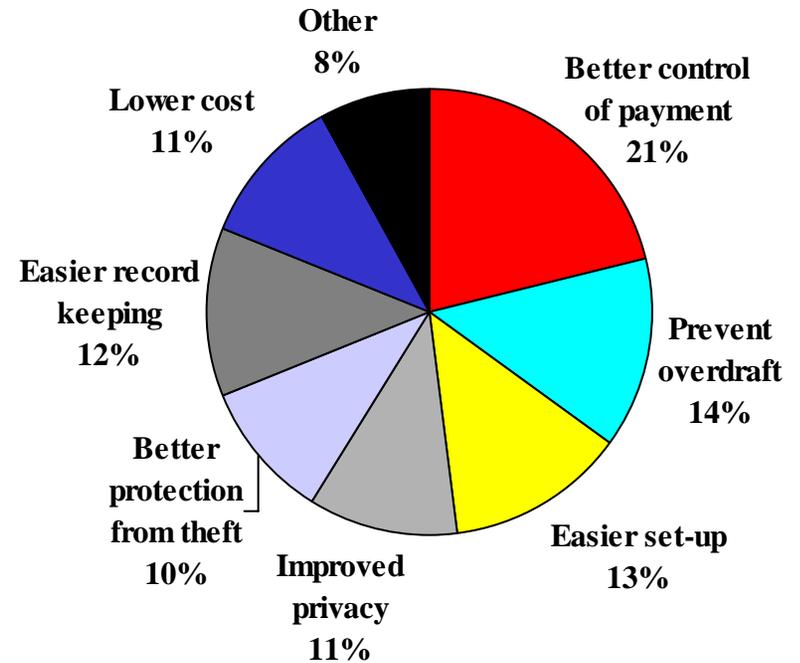
Number of Respondents = 1399 (#12) and 1418 (#13)
 Number of Responses = 4169 (#12) and 2217 (#13)

Inflexible timing, overdraft concerns and difficulty of set-up limit the use of ACH

- If you DO NOT use ACH, why not?*



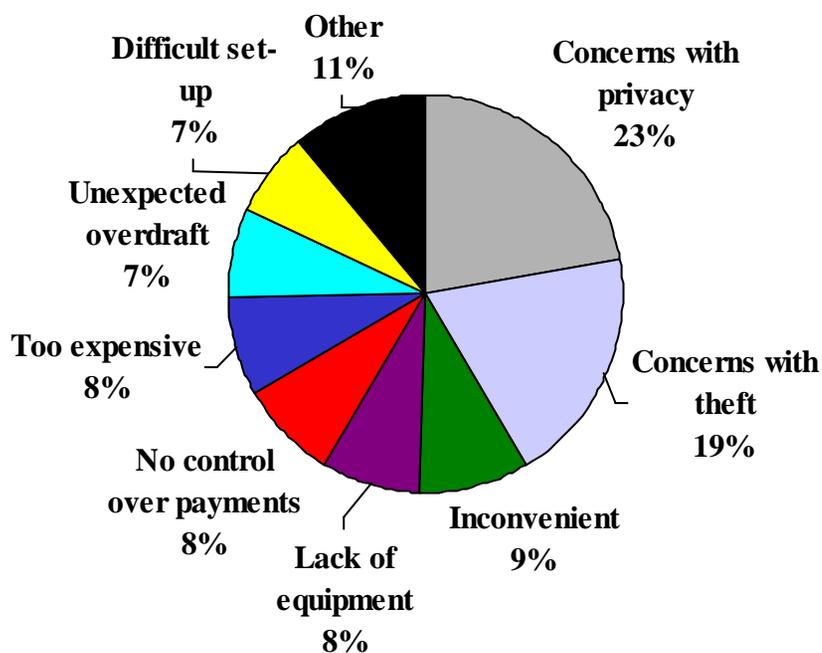
- What might cause you to use ACH in place of checks?*



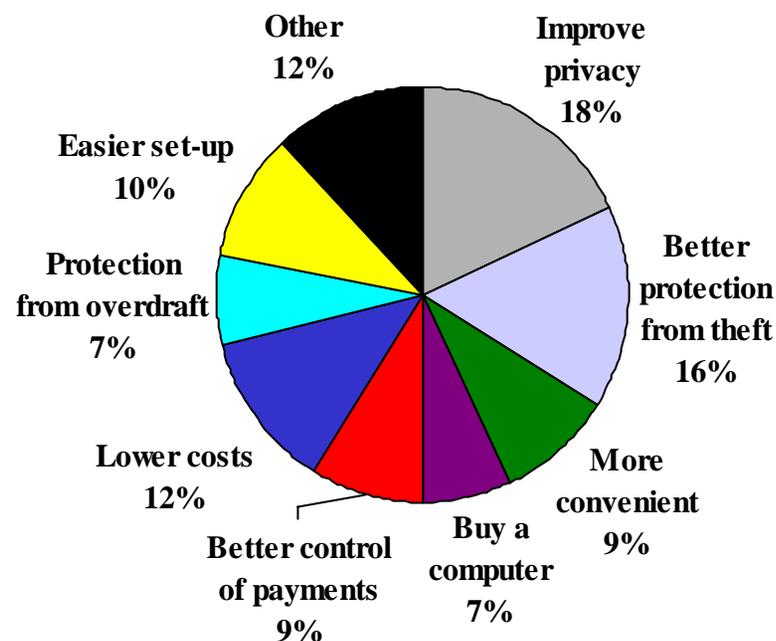
Number of Respondents = 1064 (#14) and 1096 (#15)
 Number of Responses = 2375 (#14) and 2048 (#15)

Vulnerability concerns and miscellaneous other concerns limit the use of internet bill payment

- If you DO NOT use internet bill payment, why not?*



- What might cause you to use internet bill payment in place of checks?*



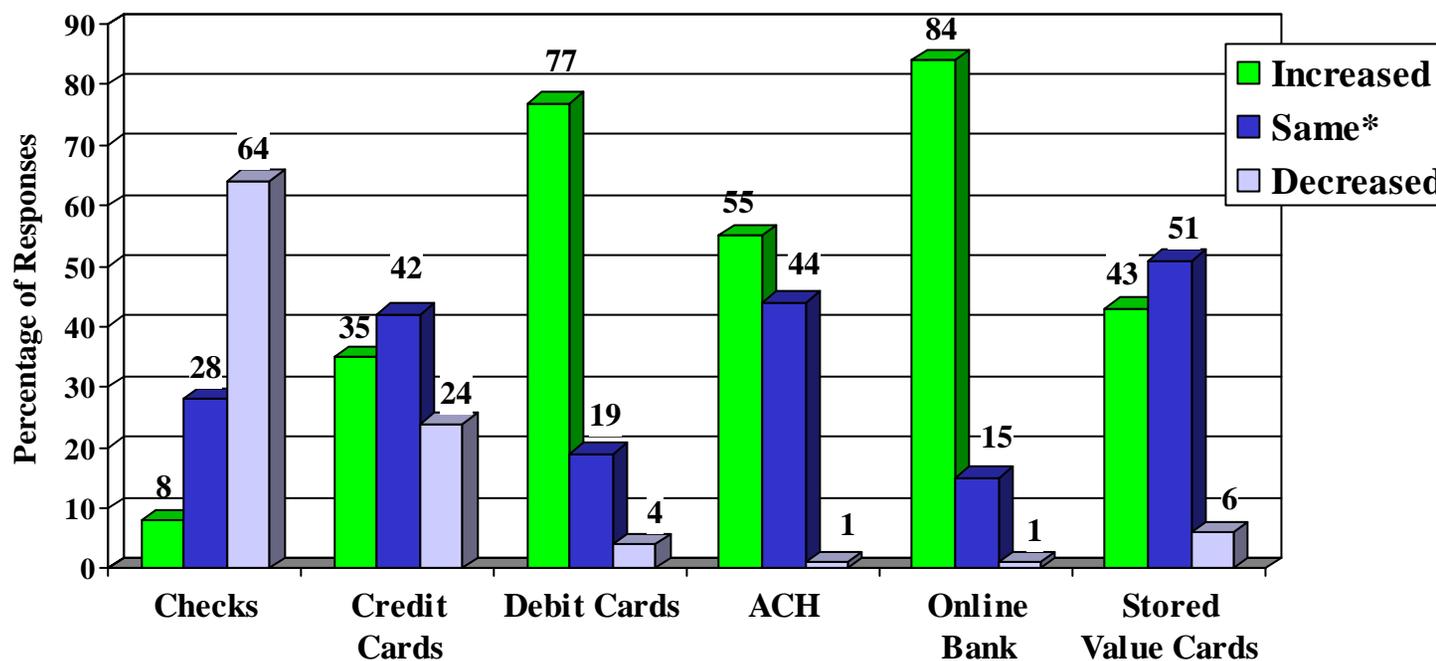
Number of Respondents = 2079 (#16) and 2108 (#17)

Number of Responses = 5873 (#16) and 5278 (#17)

Questions 16 and 17

Respondents use fewer checks but more debit card and electronic payments; changes vary across users

- Looking back over the past *THREE* years, for each payment method you use, indicate whether your use has increased, decreased, or stayed the same.

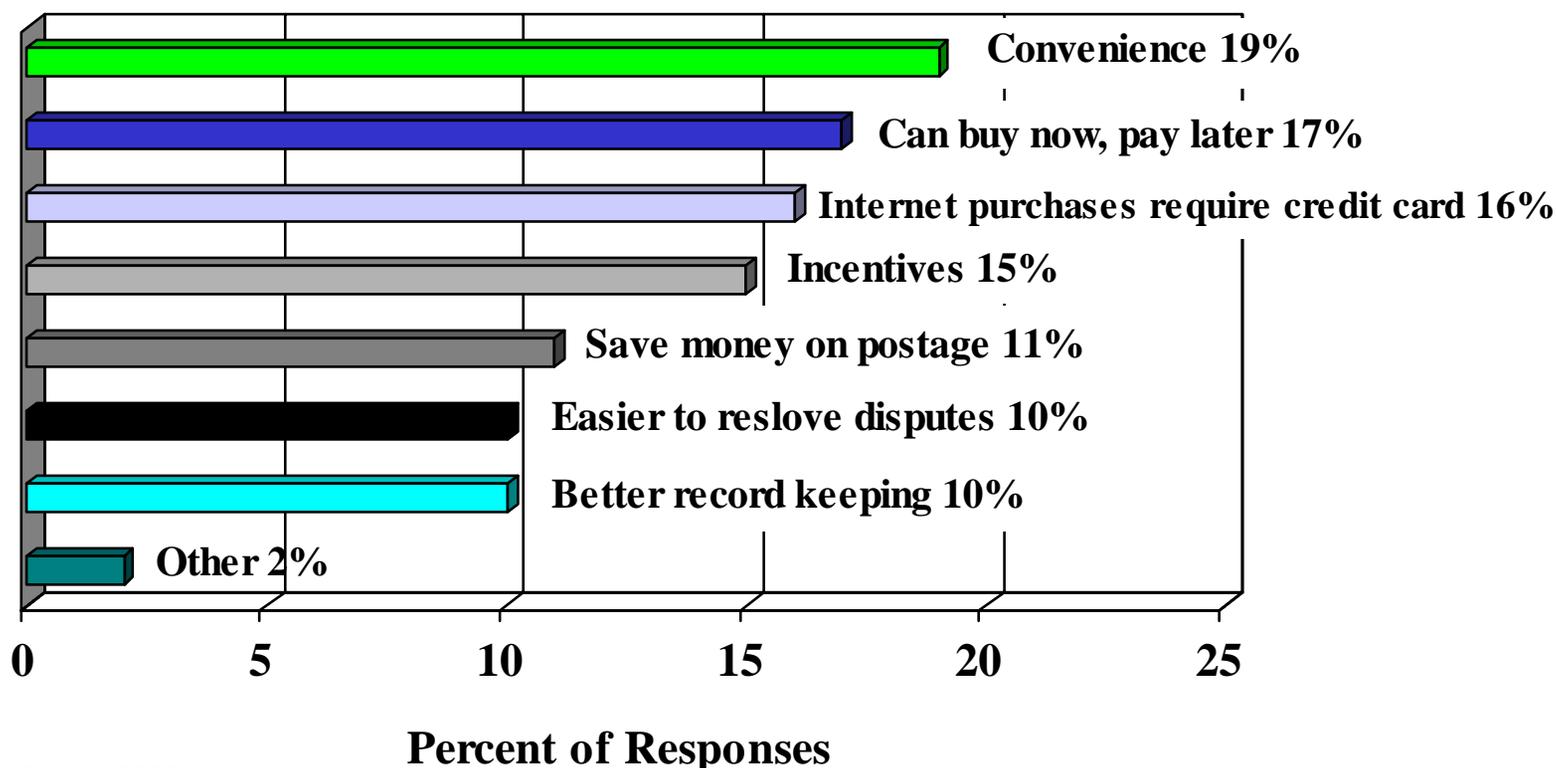


*Excluding nonusers

Number of Respondents = 4372 (checks), 3780 (credit cards), 2914 (debit cards), 3018 (ACH), 2065 (Online), and 1379 (SVC)

Respondents who use credit cards in place of checks like the convenience, deferred payment and incentives

- If you use credit cards for some purchases or bills you previously paid by check, what made you switch?*

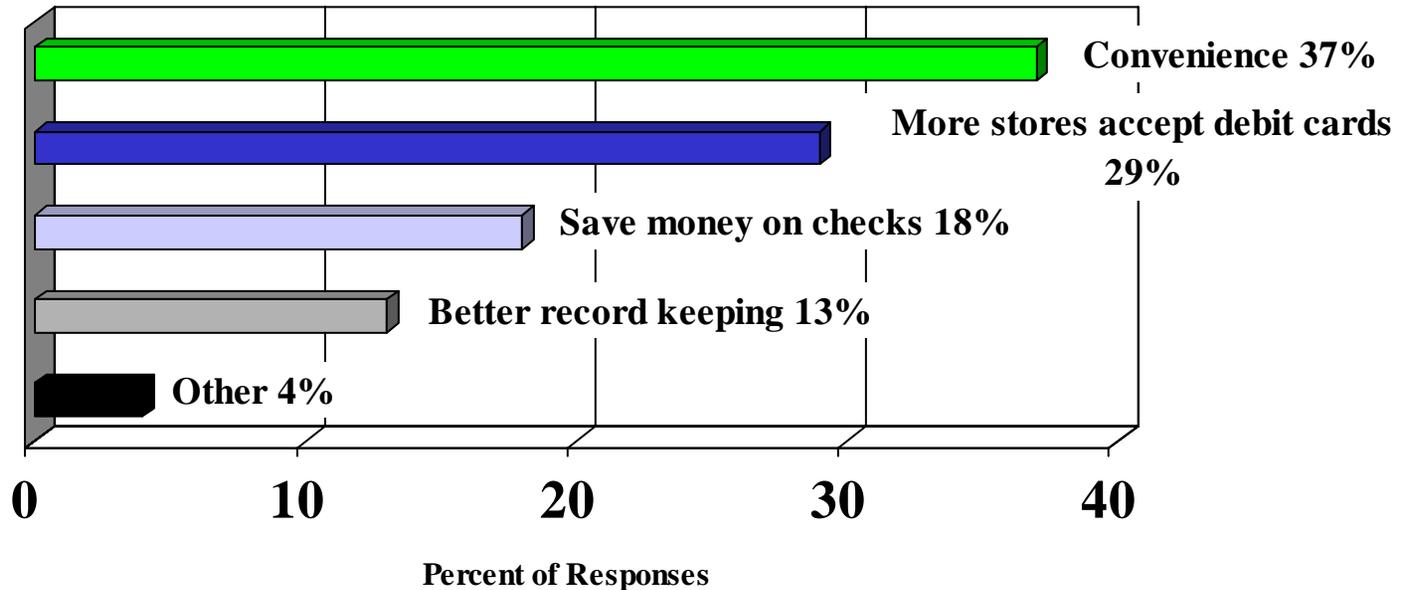


Number of Respondents = 3822

Number of Responses = 12467

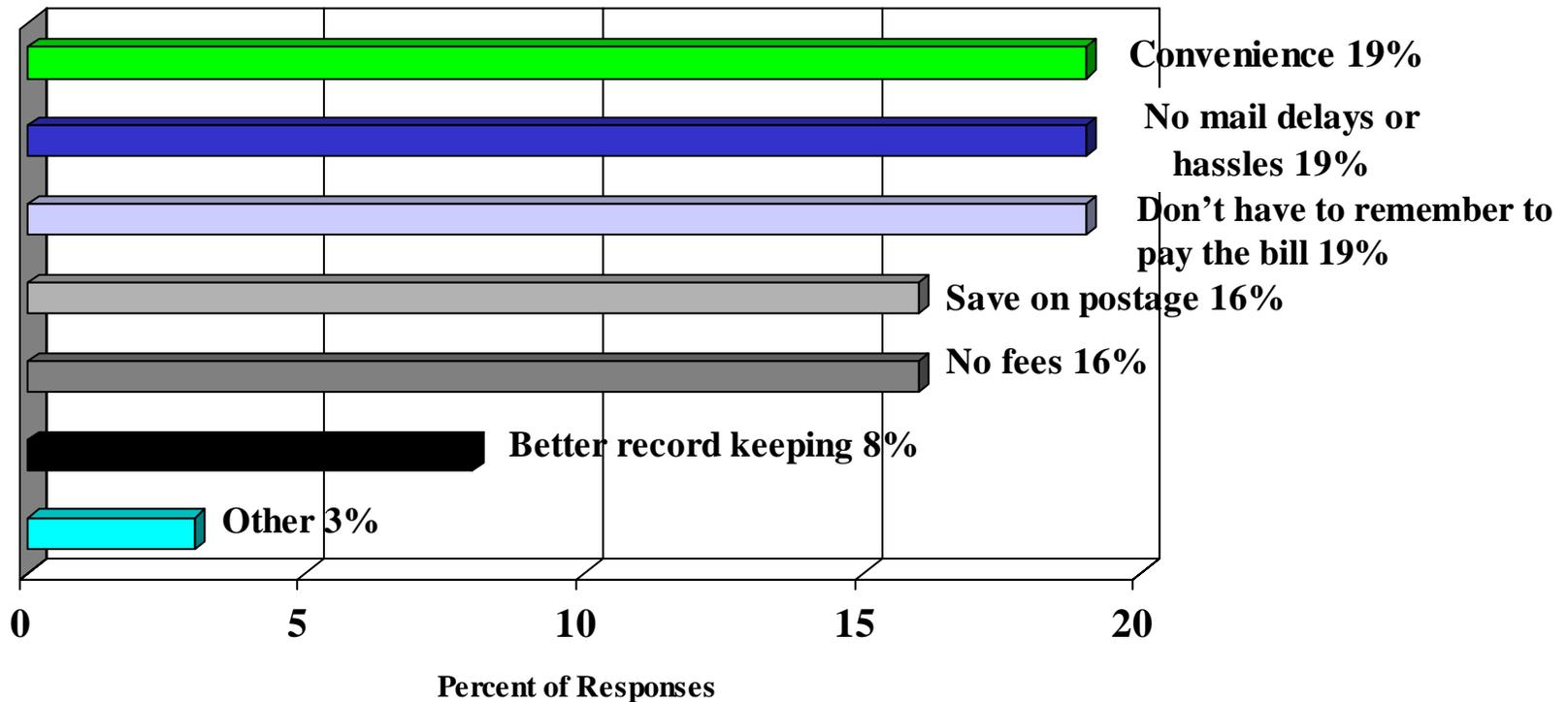
Respondents who use debit cards in place of checks like the convenience and increased acceptance

- If you use debit cards for some purchases you previously paid by check, what made you switch?*



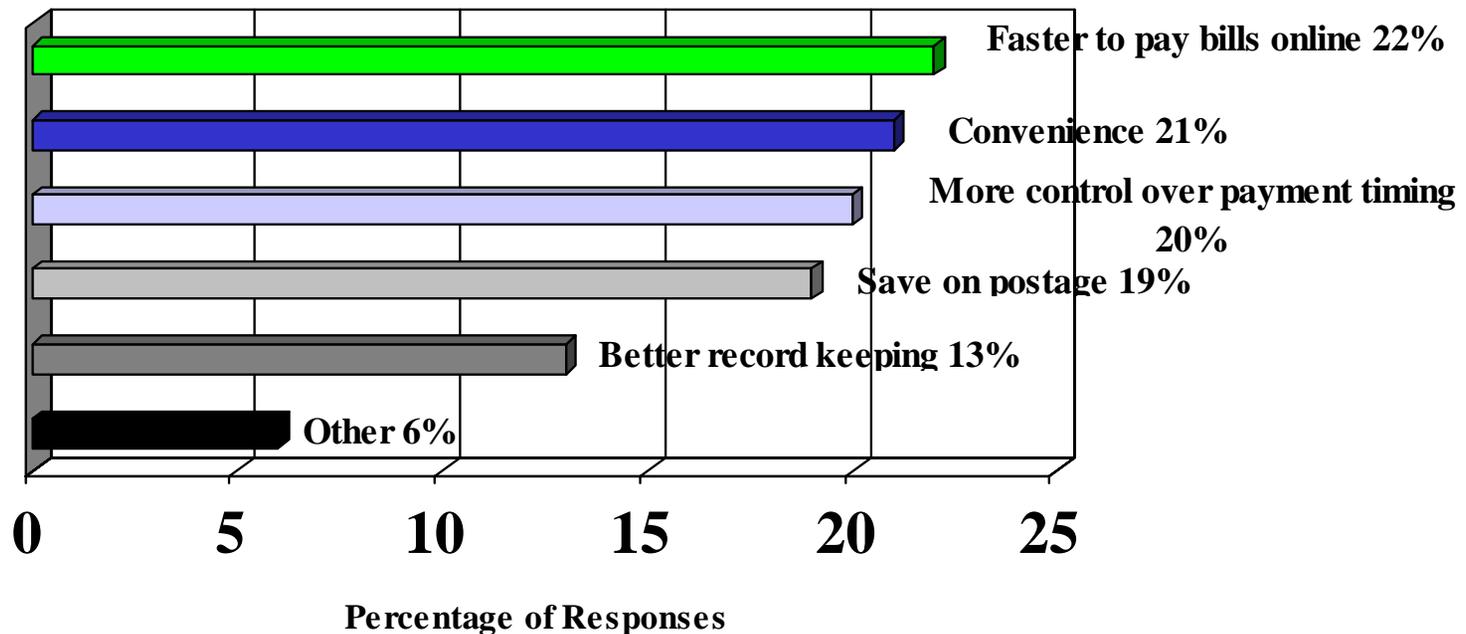
Respondents who use ACH in place of checks like the convenience, automatic payment and lower costs

- If you use ACH for some purchases or bills you previously paid by check, what made you switch?*



Respondents who use online banking in place of checks like the speed, convenience, control of payment, and lower costs

- If you use internet bill payment for some purchases you previously paid by check, what made you switch?*

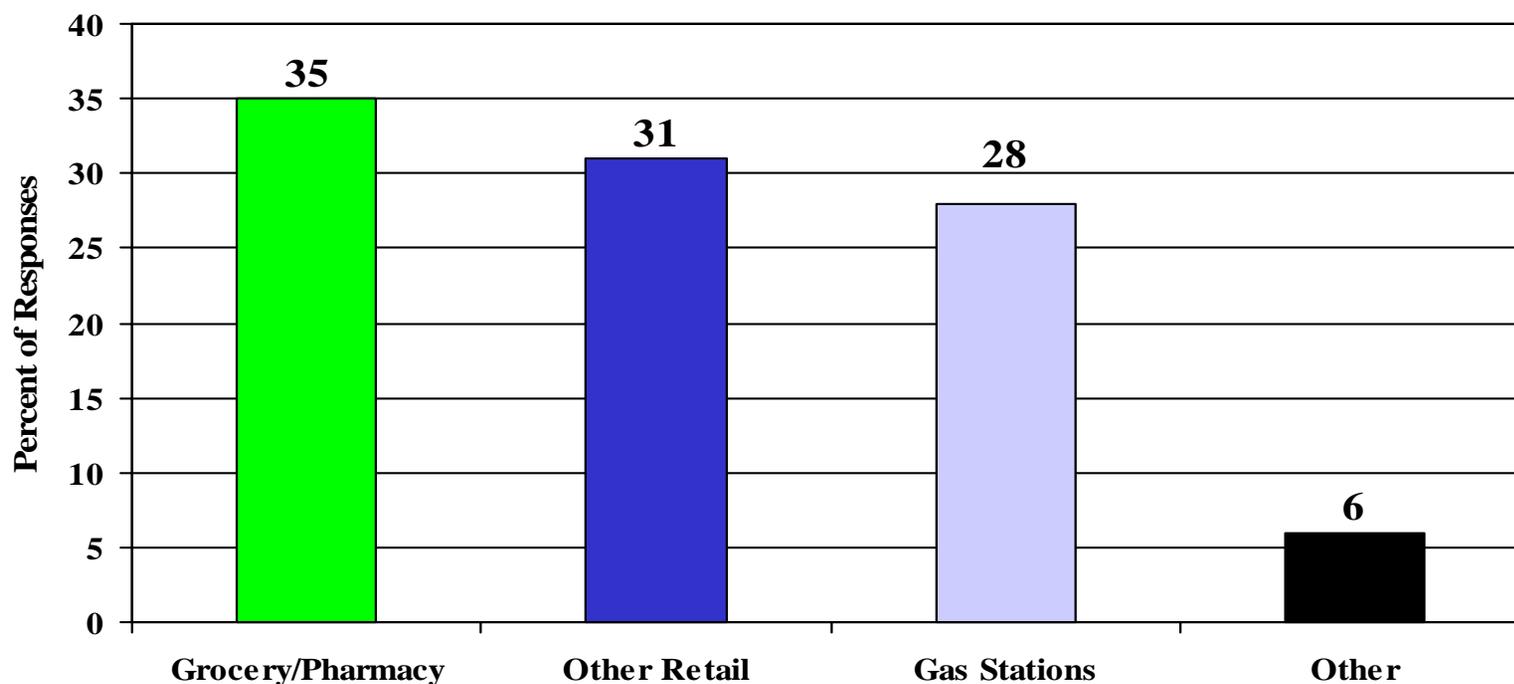


Payments previously paid with checks, now paid with other payment types

Rank	Expense	Number of responses	Percent of respondents
1	Mortgage/Rent	1424	39
2	Credit Card Payments	1152	31
3	Utilities (gas, electric, water)	1023	28
4	Insurance	992	27
5	Telephone/Cell Phones	798	22
6	Retail Purchases	521	14
7	Cable/Internet	502	14
8	Car payments	420	11
9	Loan payments	150	4
10	Club Memberships	95	3
11	Investments	56	2
12	Tuition	52	1
13	Subscriptions	49	1
14	Charitable Contributions	48	1
15	Taxes	40	1

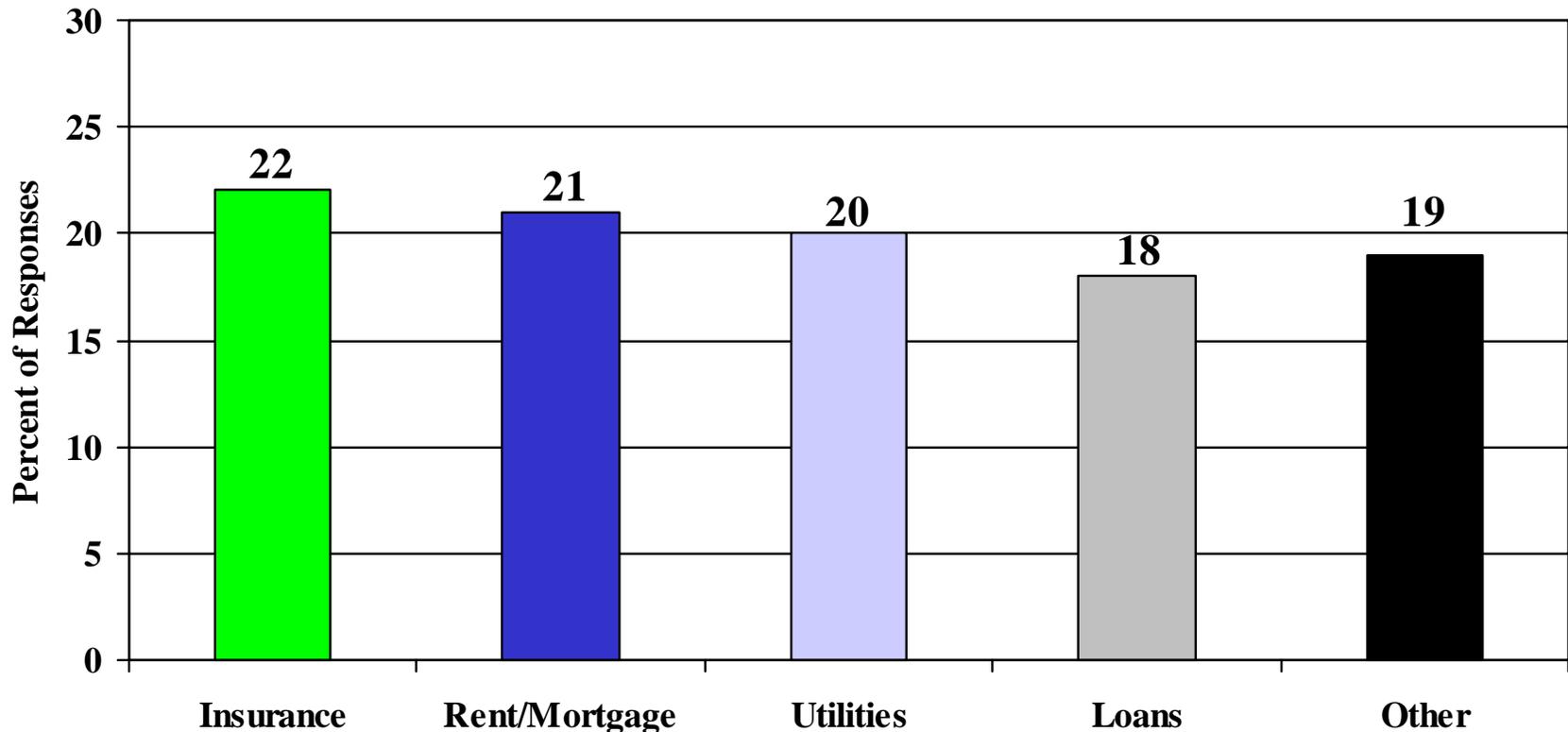
Respondents use debit cards primarily at grocery, pharmacy, other retail stores and gas stations

- If you use a debit card, what types of payments do you make with it?*



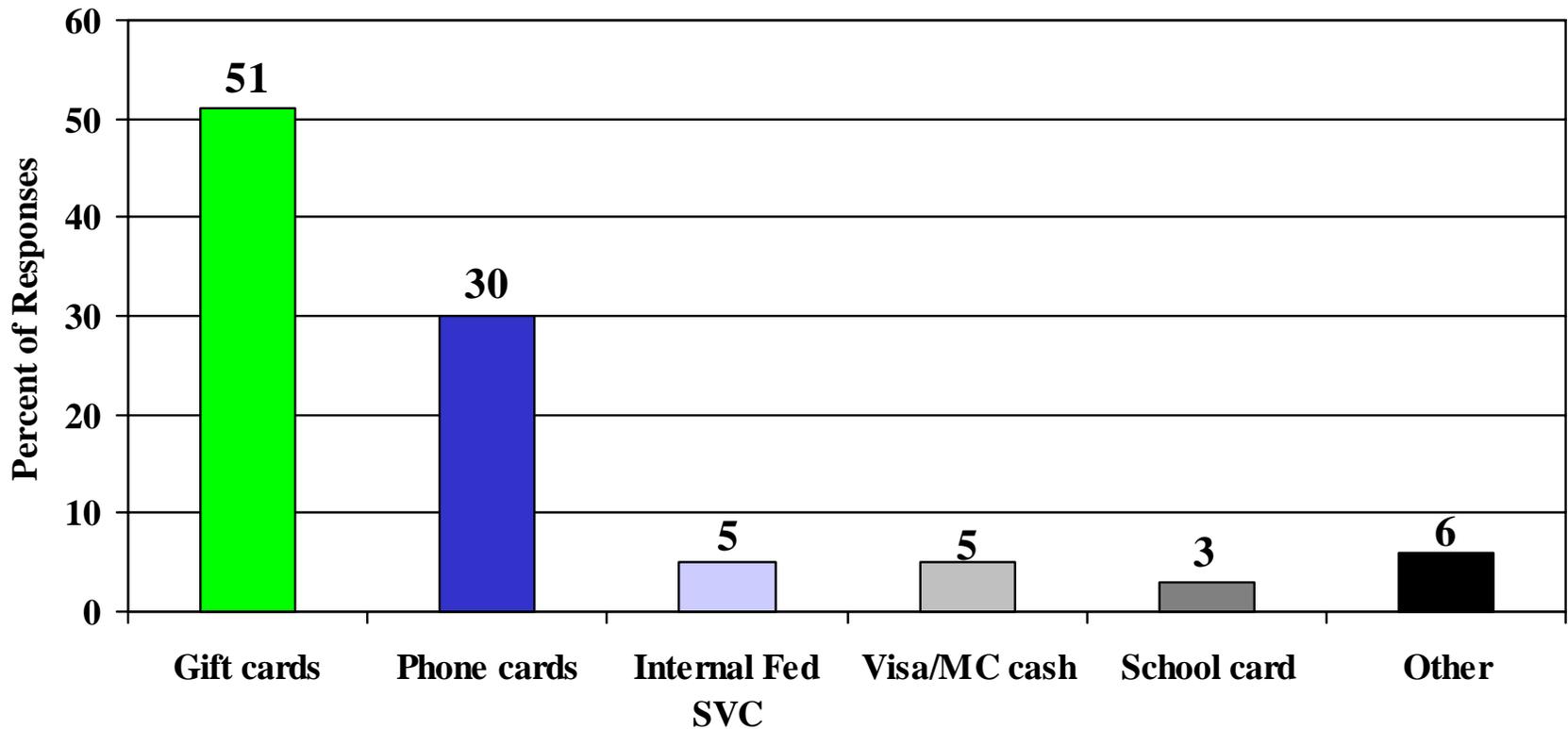
Respondents use ACH primarily for insurance, housing, utilities and loan payments

- If you use ACH, what types of bills do you pay with it?*



Respondents use stored value cards primarily for gifts and phone calls

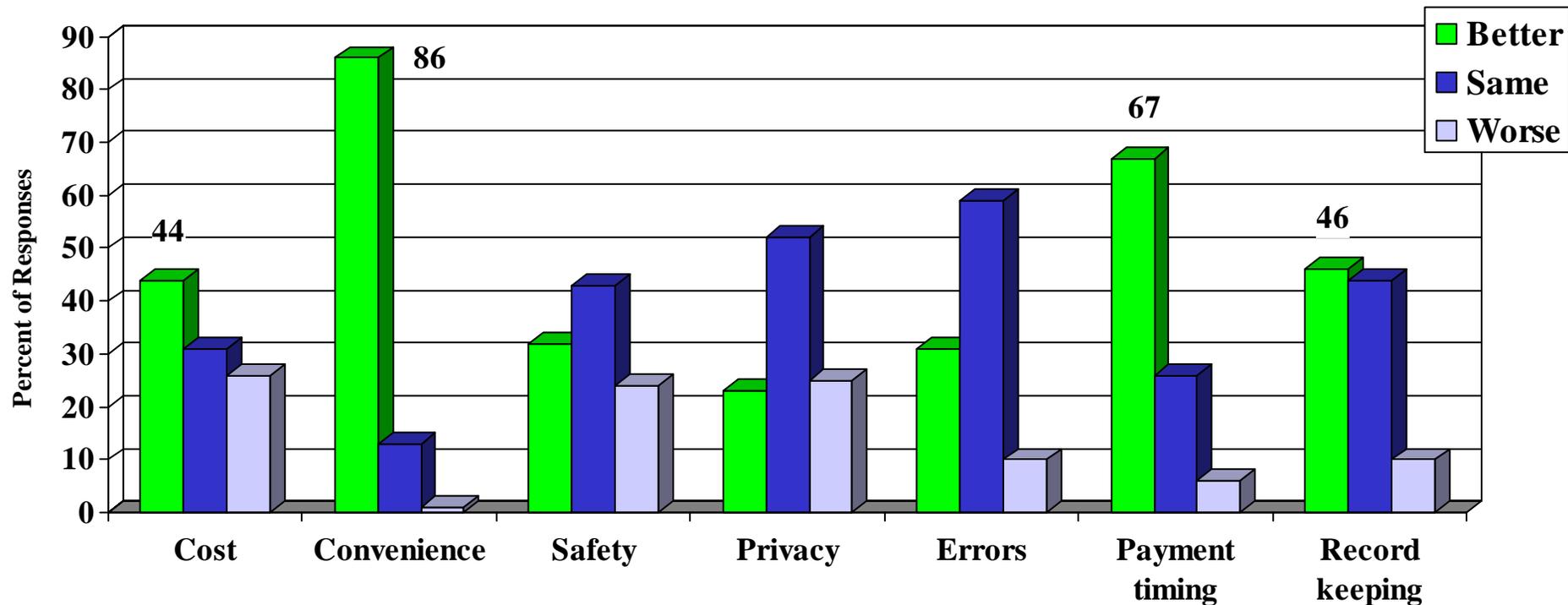
- If you use stored value cards, which types do you use?*



Credit Cards vs. Checks

Respondents rate credit cards better for convenience, payment timing, record keeping and cost

- *Credit cards versus checks - credit cards are (better, same, worse) than checks.*

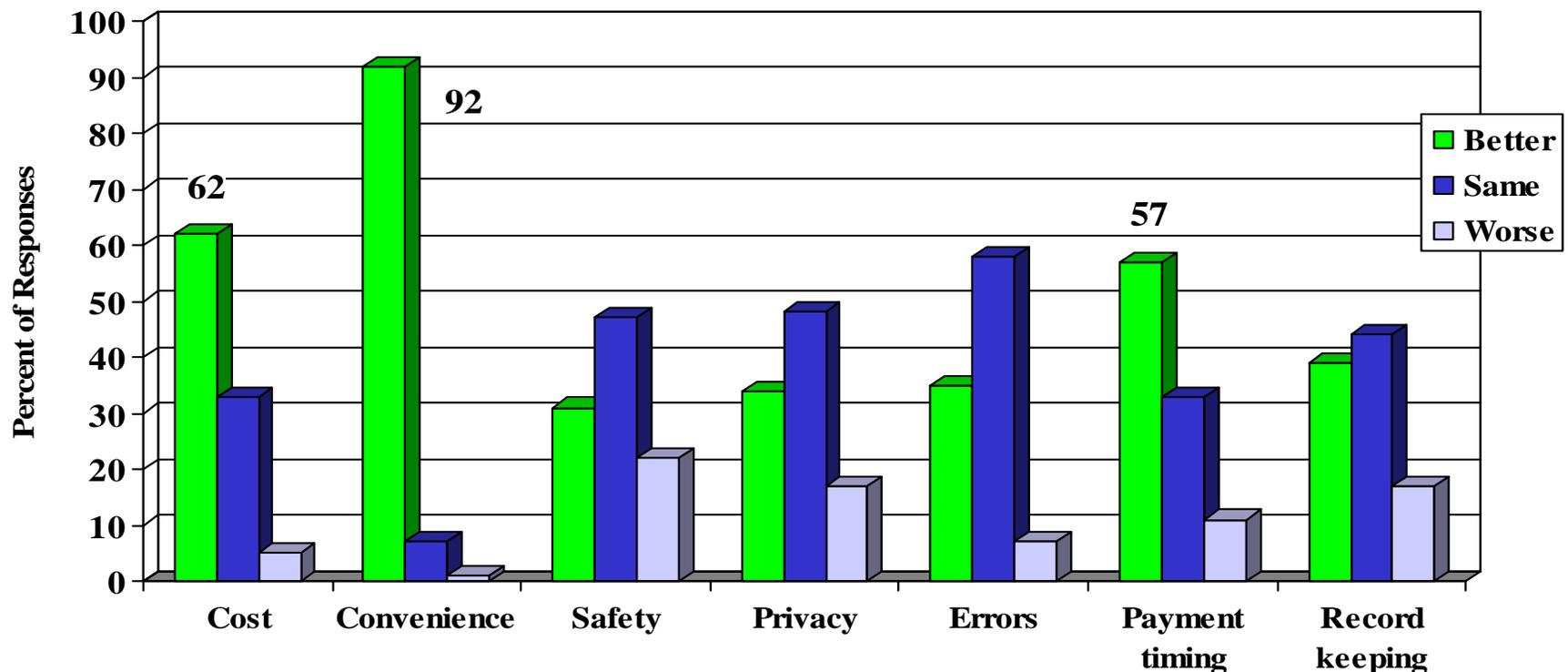


Number of Respondents =3480 (cost), 3678 (convenience), 3440 (safety), 3399 (privacy), 3385 (errors), 3500 (payment timing), and 3424 (record keeping)

Debit Cards vs. Checks

Respondents rate debit cards better for convenience, cost, and payment timing

- *Debit cards versus checks - debit cards are (better, same, worse) than checks.*

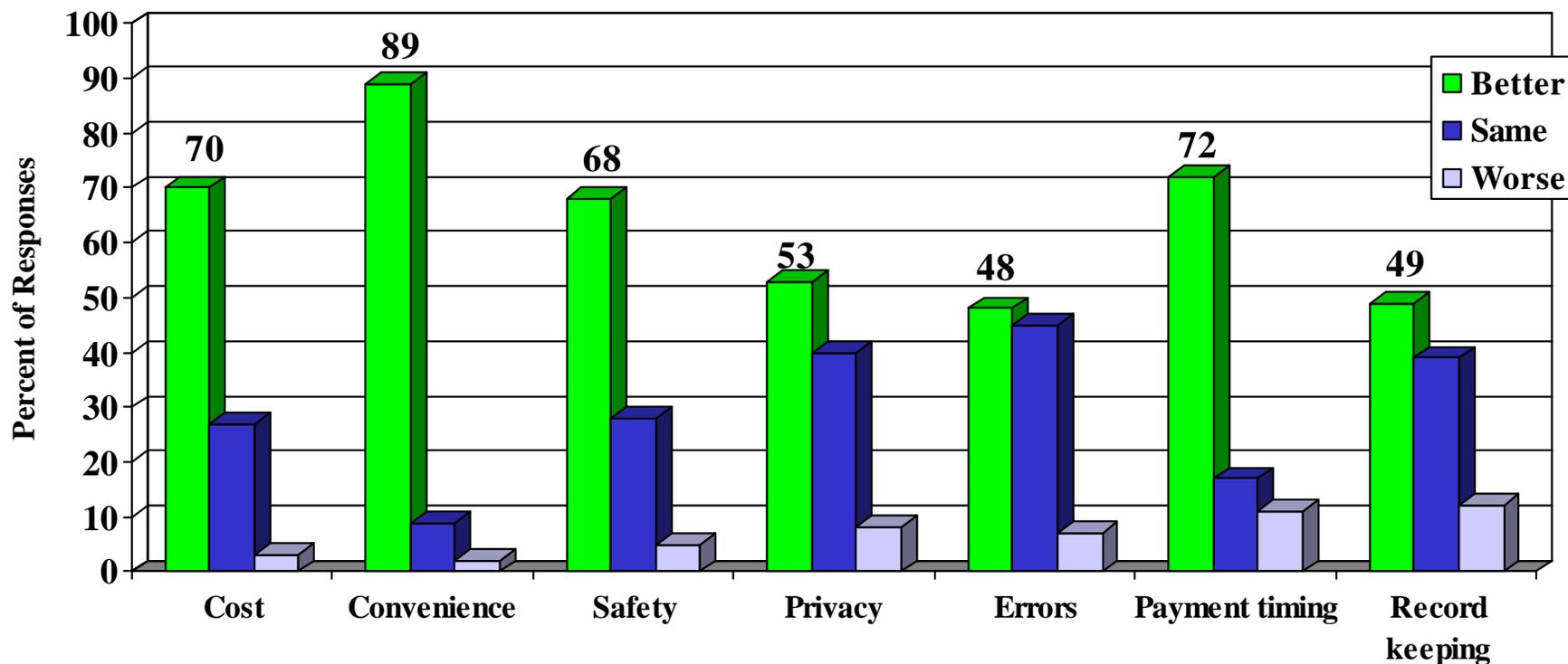


Number of Respondents =2700 (cost), 2882 (convenience), 2641 (safety), 2635 (privacy),2626 (errors), 2691 (payment timing), and 2621 (record keeping)

ACH vs. Checks

Respondents rate ACH better than checks in all categories

- ACH payments versus checks - ACH payments are (better, same, worse) than checks.*

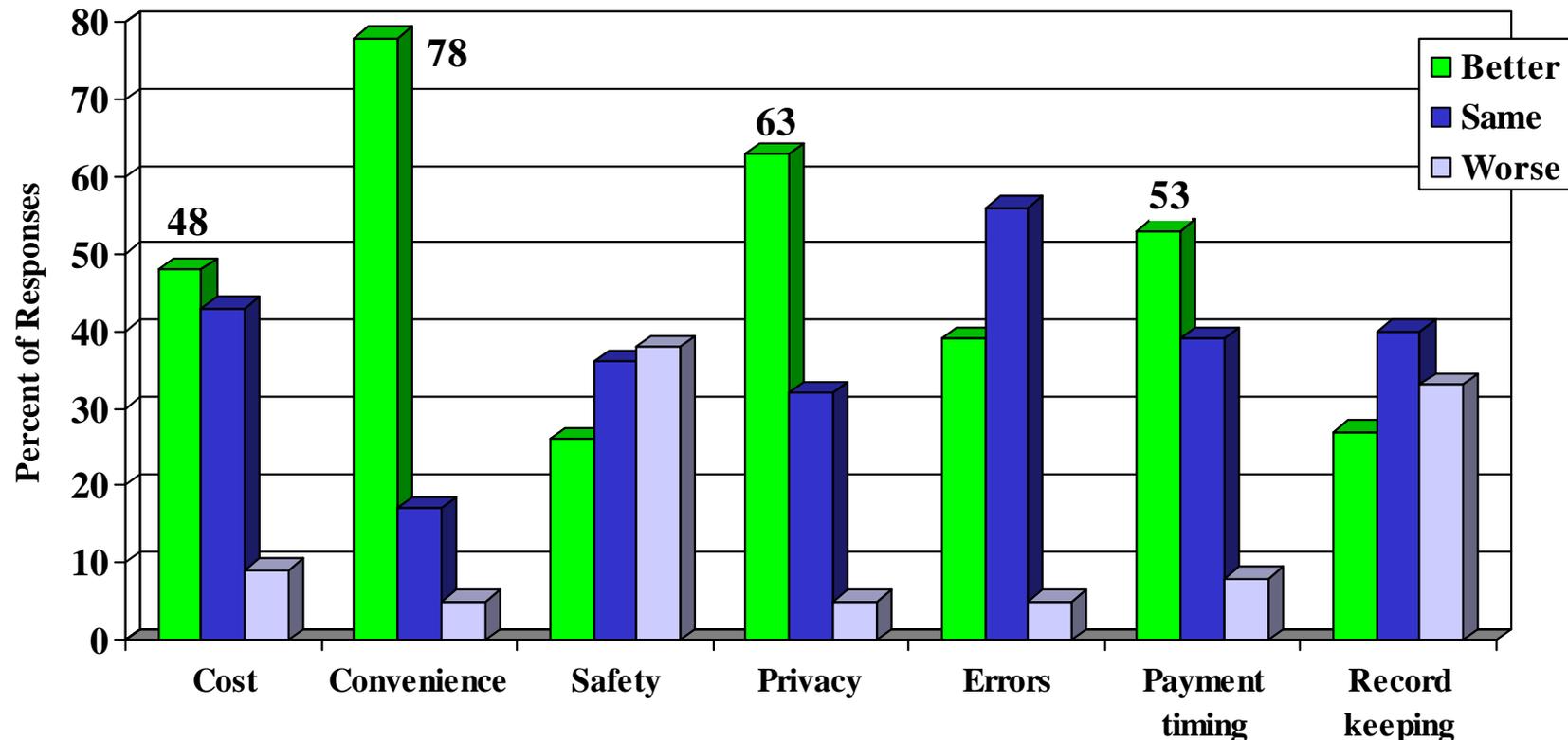


Number of Respondents =2704 (cost), 2844 (convenience), 2647 (safety), 2627 (privacy), 2623 (errors), 2773 (payment timing), and 2638 (record keeping)

Stored Value Cards vs. Checks

Respondents rate stored value cards better for convenience, privacy, payment timing and cost

- Stored value cards versus checks - stored value cards are (better, same, worse) than checks.*

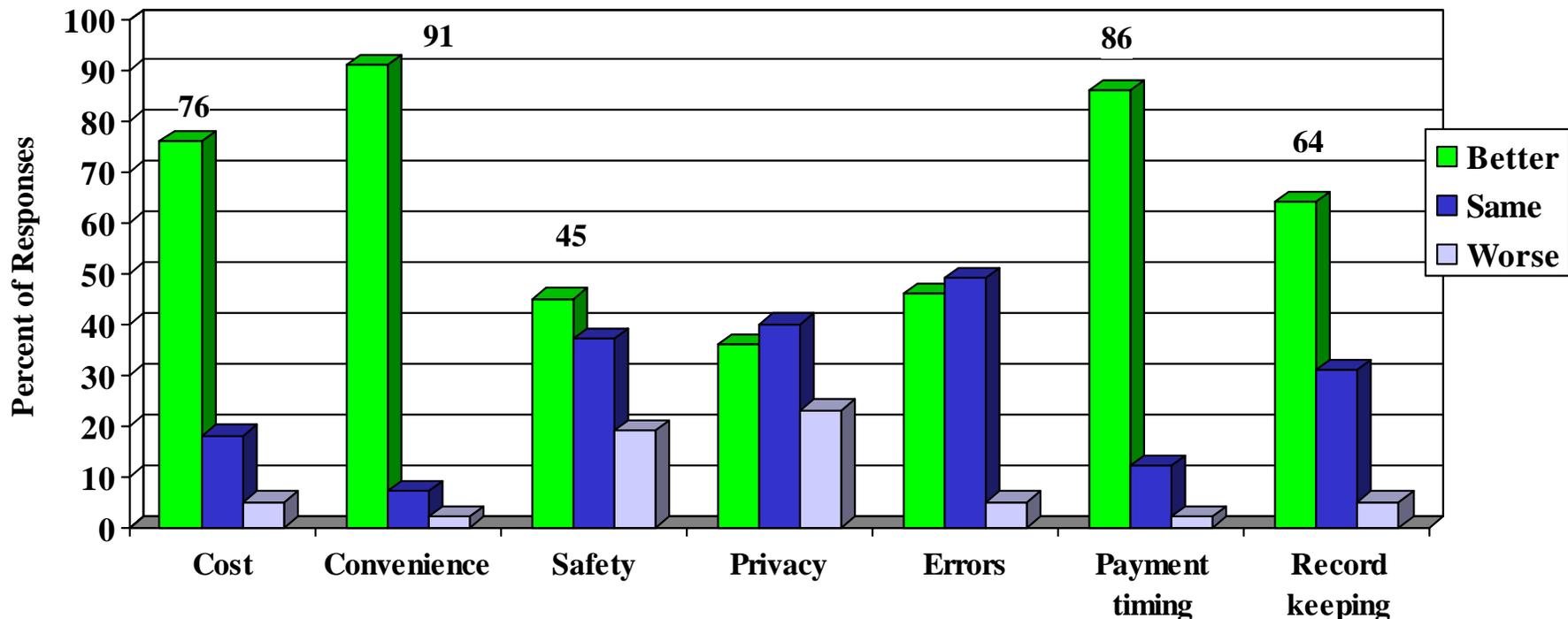


Number of Respondents = 1311 (cost), 1385 (convenience), 1276 (safety), 1268 (privacy), 1252 (errors), 1261 (payment timing), and 1224 (record keeping)

Internet Bill Payment vs. Checks

Respondents rate internet bill payment better in convenience, payment timing, cost, record keeping and safety

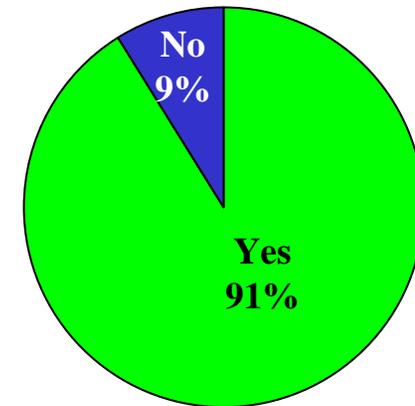
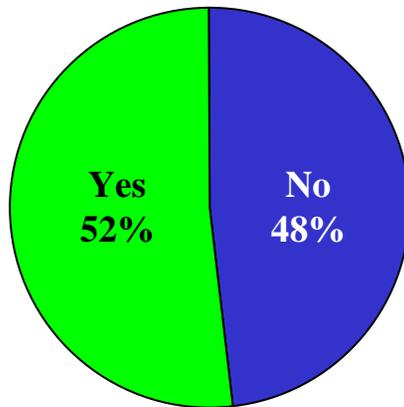
- Internet bill payment versus checks - internet bill payment is (better, same, worse) than checks.*



Number of Respondents = 1870 (cost), 1946 (convenience), 1829 (safety), 1823 (privacy), 1809 (errors), 1909 (payment timing), and 1836 (record keeping)

Only half of the respondents have had their checks converted to ACH at stores; Nearly all who did knew it was an ACH payment

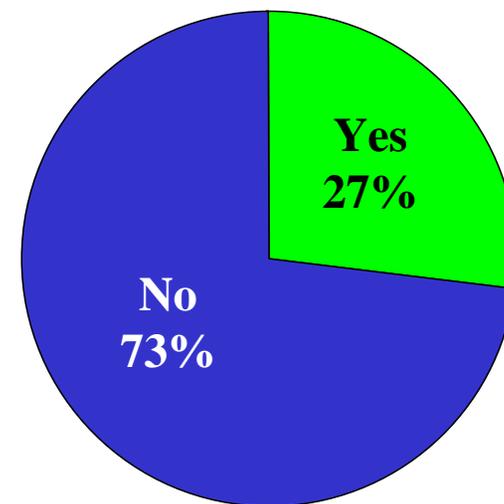
- *When paying by check at a store, have you ever received your check back immediately after payment?*
- *If yes, are you aware that your check has been converted into an ACH payment and immediately deducted from your checking account?*



One-quarter of respondents reacted to check-to-ACH conversions by altering their method of payment

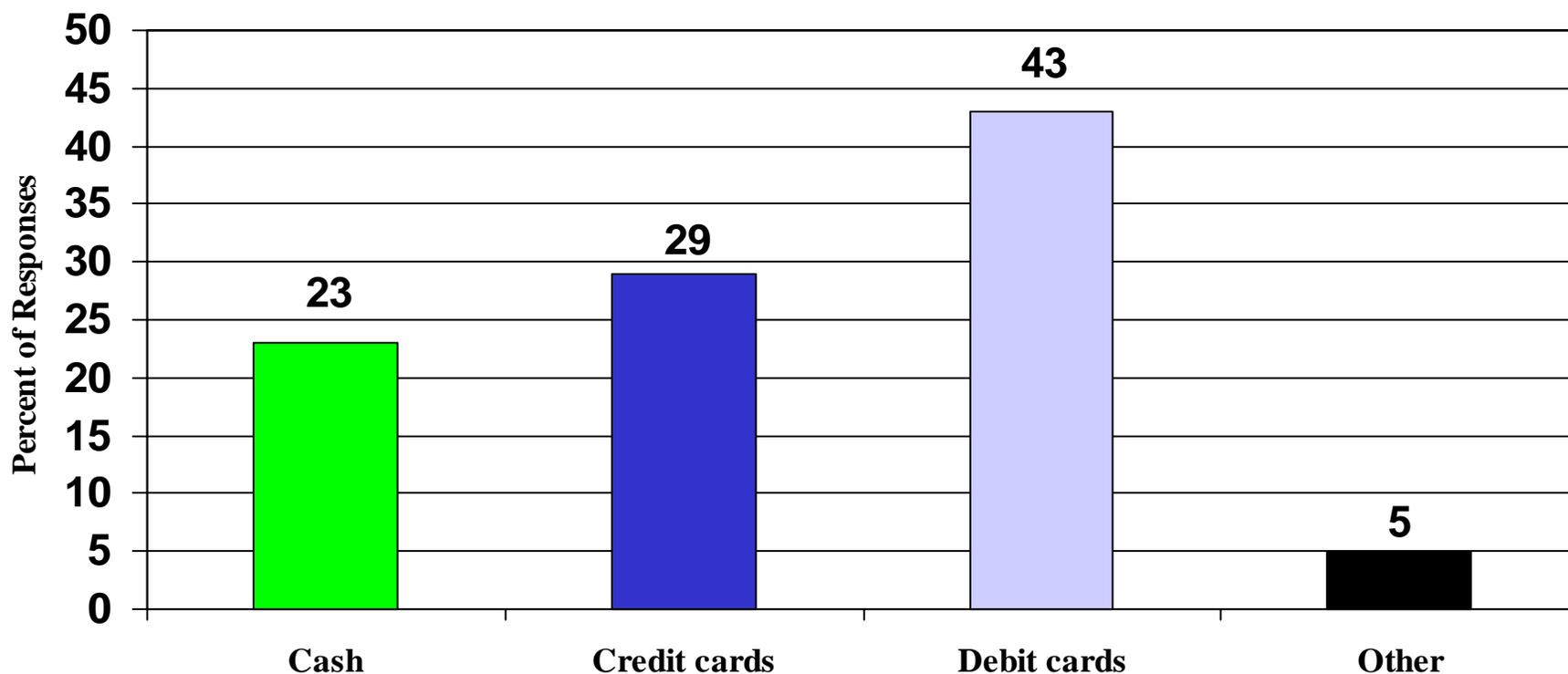
- *Has this check-to-ACH conversion caused you to change the way you pay at the store?*
- *If yes, why?*

Rank	Reason	Number of responses	Percent of respondents
1	Can use debit card and do same thing	201	41
2	Don't like this technology	50	10
3	Want to take advantage of the float	34	7
	Don't want my check handed back right away	34	7



Respondents who reacted to check-to-ACH conversions primarily switched to debit cards, but also credit cards and cash

- If yes (on 34), which payment method(s) did you switch to at the store?*



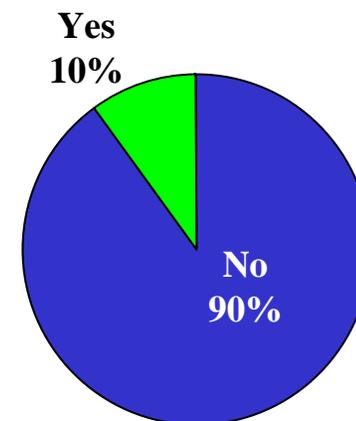
Number of Respondents =526

Number of Responses =727

Question 35

Few respondents reacted to check-to-ACH conversions by altering their shopping behavior

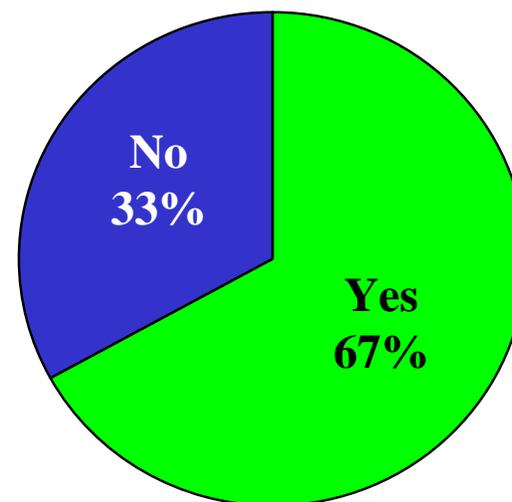
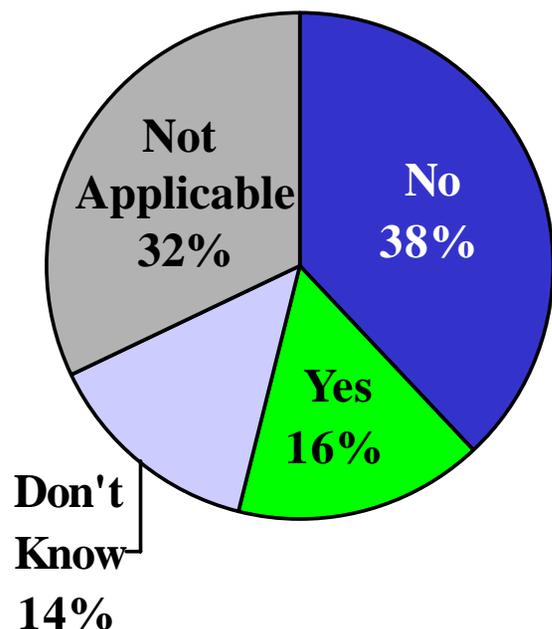
- *Has the check-to-ACH conversion at the store caused you to reduce or discontinue your use of that store?*
- *If yes, why?*



<u>Rank</u>	<u>Reason</u>	<u>Number of responses</u>	<u>Percent of respondents</u>
1	Don't like these conversions	38	27
2	I could use my debit card and it's the same thing	12	9
3	Like the float with checks	9	6
	I want to be in control	9	6

Most respondents have not had their checks converted to ACH when paying bills by mail, but two-thirds of those who did knew it was an ARC* payment

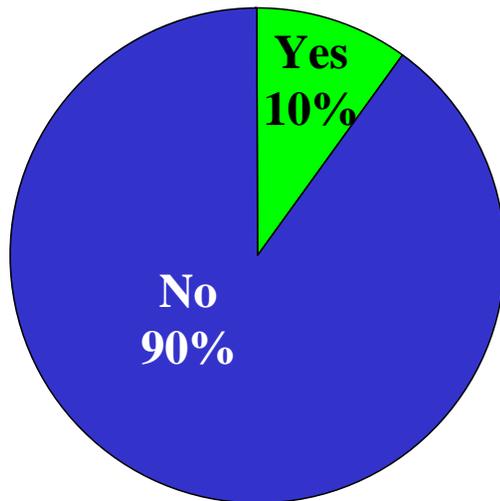
- *When paying a recurring bill (credit card, utility, etc.) with a check by mail, have you ever failed to receive your check or electronic image back?*
- *If yes, are you aware that your check was converted to an accounts receivable check (ARC), which is an ACH electronic payment that is immediately (that night) deducted from your checking account?*



*Accounts Receivable Check – ARC is an electronic payment that is created when a company who bills you converts your paper check to an ACH payment.

Few respondents have reacted to check-to-ARC conversions by altering their bill paying methods

- *Has the paper check-to-ARC conversion caused you to change the way you pay the bills?*

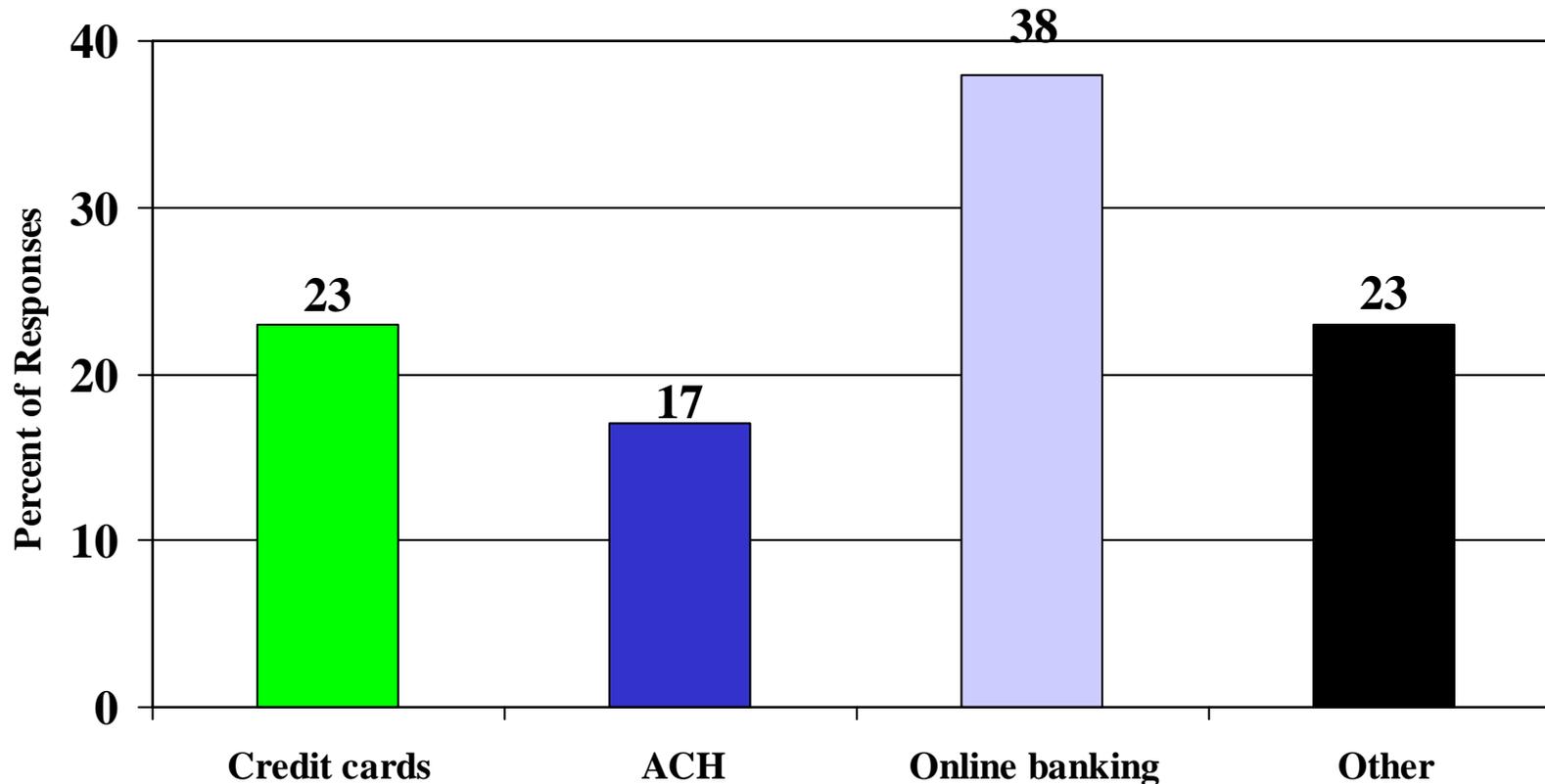


- *If yes, why?*

Rank	Reason	Number of responses	Percent of respondents
1	Switched to online bill pay/banking	7	21
2	Want check/image back	6	18
3	Want to be in control	4	13

Respondents who reacted to check-to-ARC conversions primarily switched to online banking for bill payment

- If yes (on 39), which payment method(s) did you switch to?*



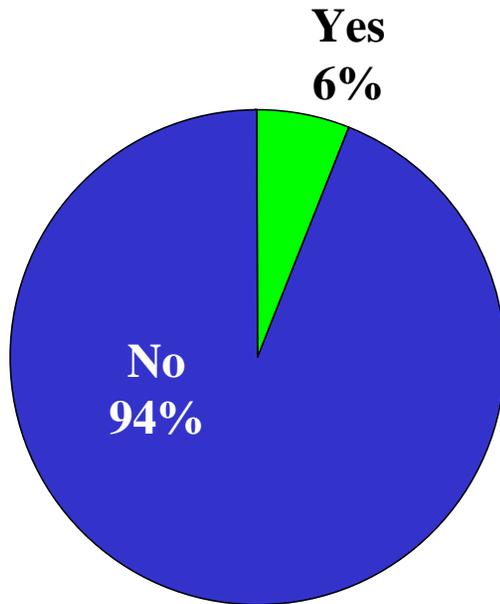
Number of Respondents = 39

Number of Responses = 48

Question 40

Very few respondents reacted to check-to-ARC conversions by altering their use of companies practicing them

- *Has the paper check-to-ARC conversion caused you to reduce or discontinue your use of the company that bills you?*

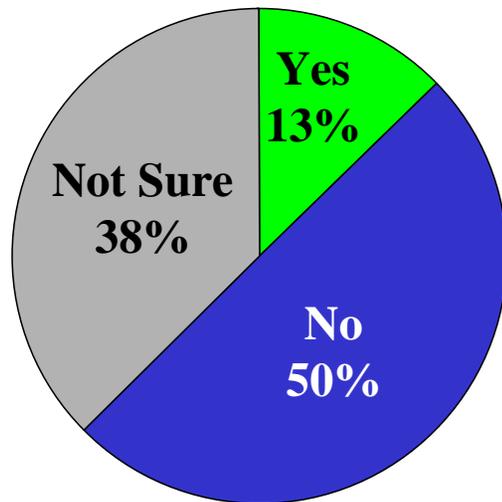


- *If yes, why?*

<u>Rank</u>	<u>Reason</u>	<u>Number of responses</u>	<u>Percent of respondents</u>
1	Want image/check back	7	47
2	They didn't ask permission	4	27
3	Like the float	2	13

Half of the respondents will not stop check-to-ARC conversions when given the opportunity to do so

- Beginning June 11, 2004, companies or banks that bill you and do paper check-to-ARC conversions must give you the chance to stop them from doing ARC conversions. Will you choose to stop ARC conversions when given the chance?

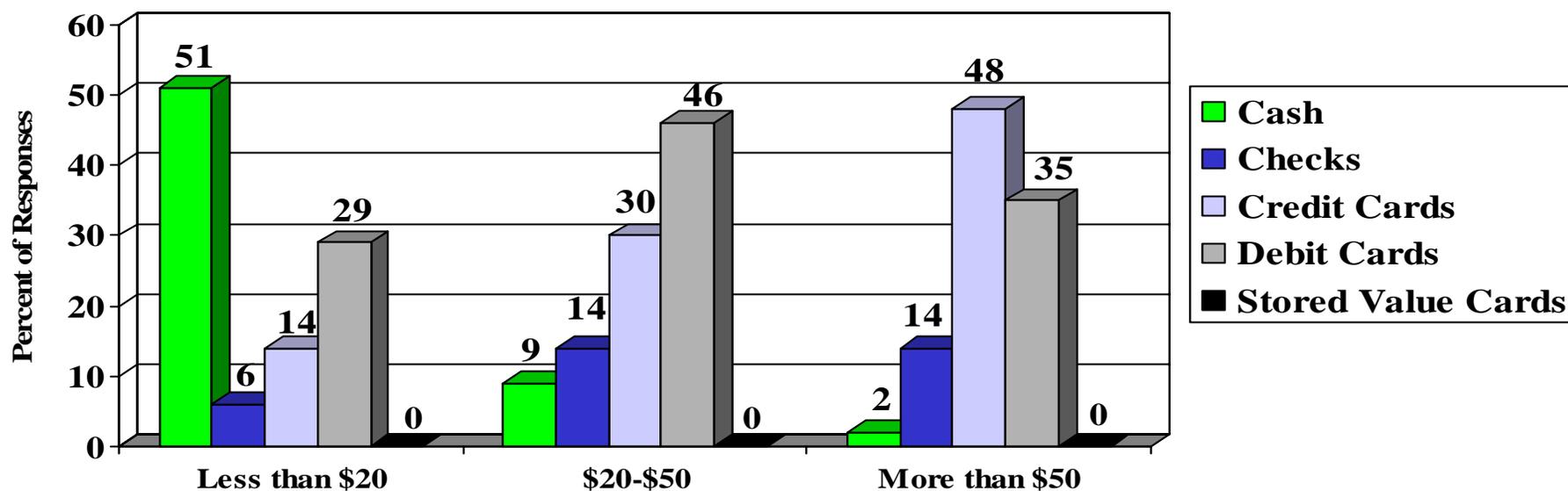


- If yes, why?

Rank	Reason	Number of responses	Percent of respondents
1	Want check, or copy/image, back	70	17
2	Want the float	39	9
3	Job security	15	4
	Concern about errors/mistakes	15	4

Respondents use different payment methods for retail shopping depending on the amount of purchase

- When you shop in person at a grocery, pharmacy, or retail store that accepts different payment types, which method do you most often choose for these amounts?



Number of Respondents = 4393 (less than \$20), 4397 (\$20-\$50), 4370 (more than \$50)

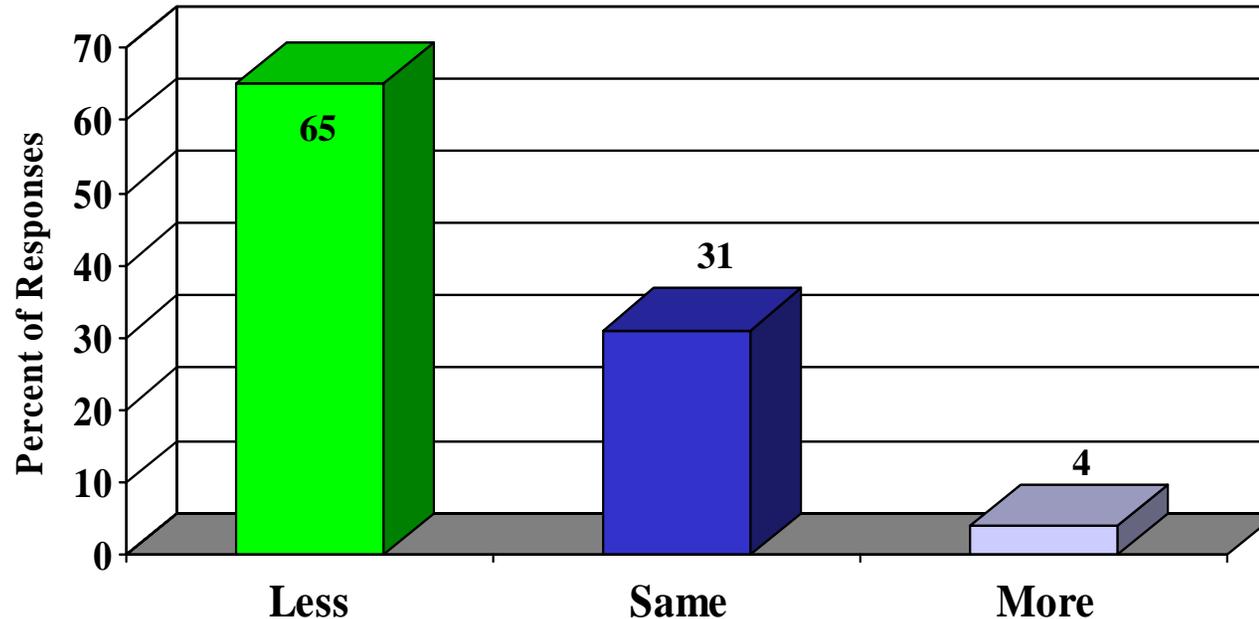
Question 43

Some respondents still use cash or checks most often for retail purchases because...

<u>Rank</u>	<u>Reason</u>	<u>Number of responses</u>	<u>Percent of respondents</u>
1	Prefer cash; cash is faster/easier	475	35
2	Easier to keep track of funds	74	5
3	Better record keeping	65	5
4	Don't have or like credit/debit card	58	4
5	To avoid debt	55	4

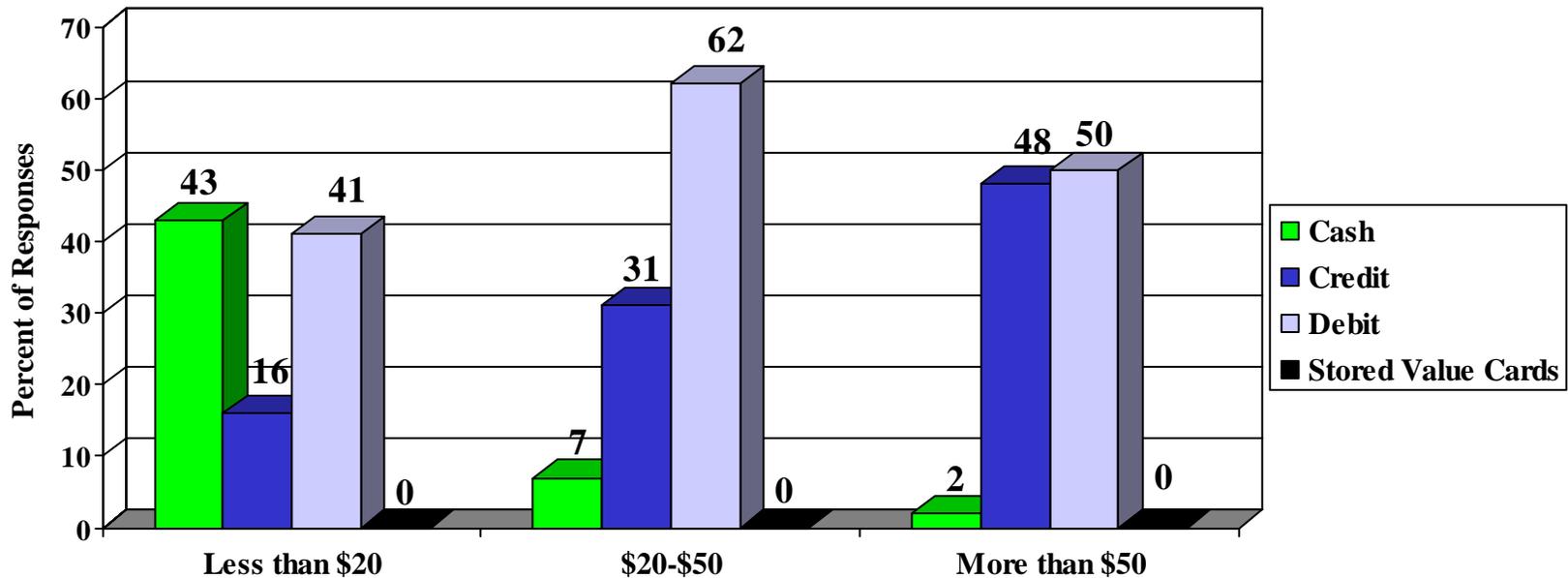
Most respondents use checks less often for retail purchases

- When you shop in person at a grocery, pharmacy, or retail store, do you use checks more than, less than, or the same as you did three years ago?*



Respondents who use fewer checks for retail purchases primarily choose debit cards, but also cash or credit cards depending on the amount

- If less, what payment method do you most often choose instead?*

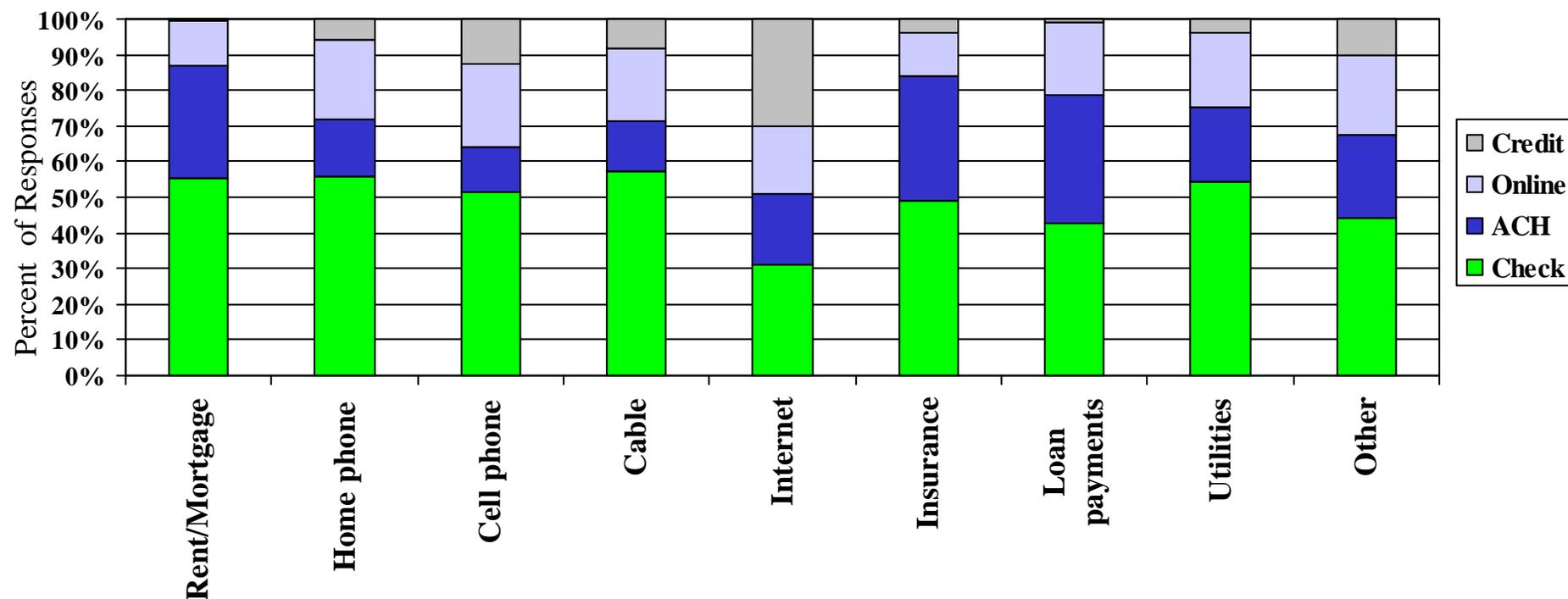


Respondents who use fewer checks at grocery, pharmacy, or retail stores switched to another payment method because...

<u>Rank</u>	<u>Reason</u>	<u>Number of responses</u>	<u>Percent of respondents</u>
1	Other methods are easier/faster/more convenient	1868	78
2	Credit card incentives	190	8
3	Better record keeping	94	4
4	Don't carry checkbook	65	3

Checks are still the most common payment method for most recurring bills, but other methods are important for certain bills

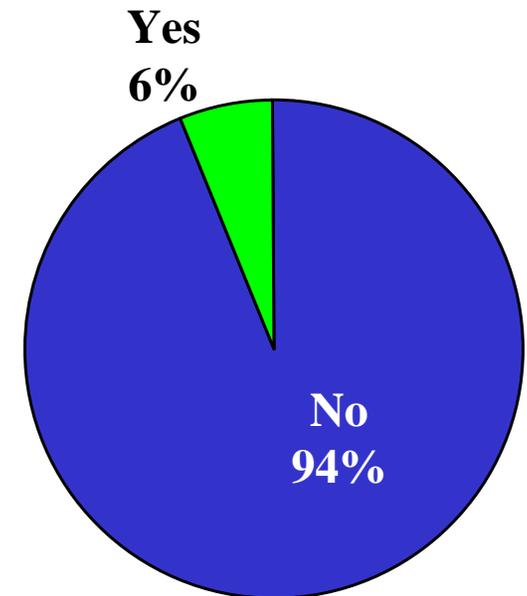
- For each type of recurring bill (monthly, quarterly, annual), what payment methods do you use? If you use other methods for these bills, what are the methods and bills?



Very few respondents have increased checks written for recurring bills

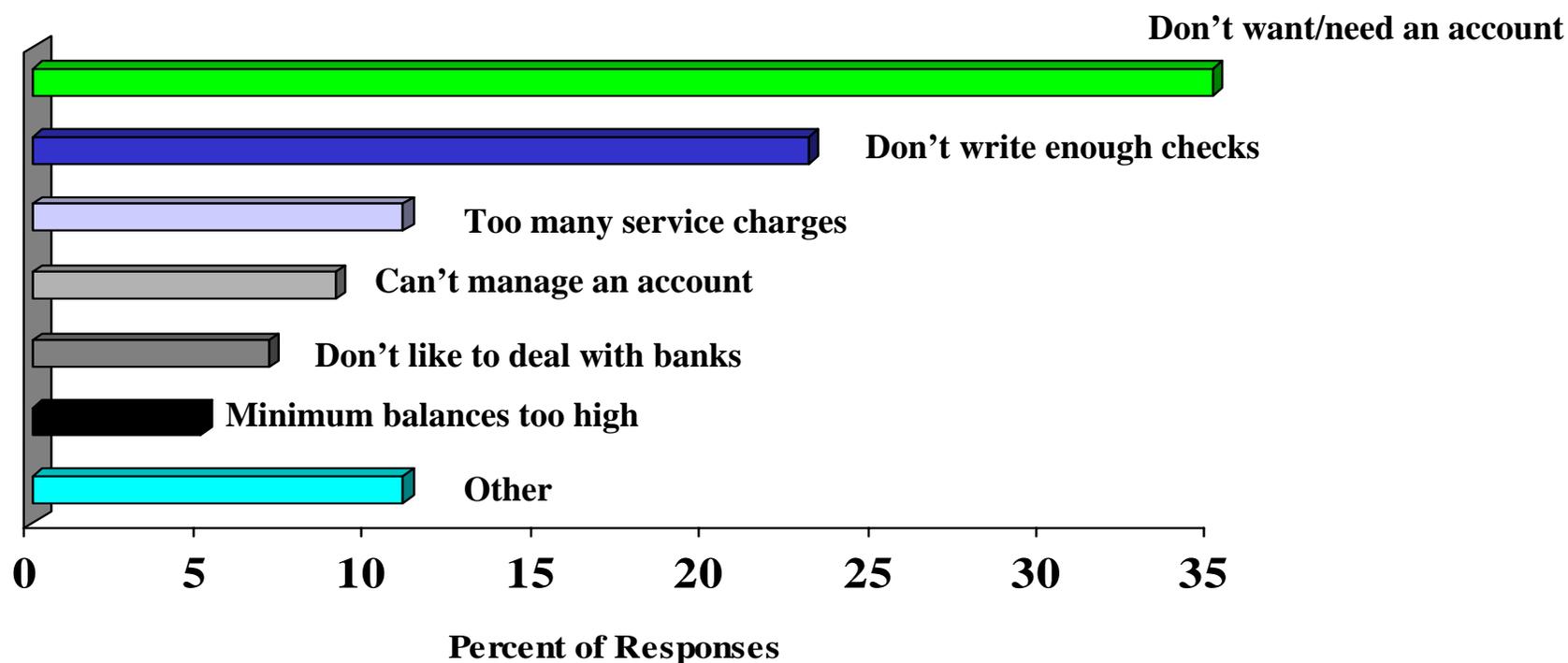
- *Are there any types of recurring bills for which you write more checks than you used to?*
- *If yes, what?*

<u>Rank</u>	<u>Reason</u>	<u>Number of responses</u>	<u>Percent of respondents</u>
1	Phone expenses	47	21
2	Child care	34	15
3	Mortgage/Rent	19	9
4	Credit cards	16	7
5	Loan payments	13	6

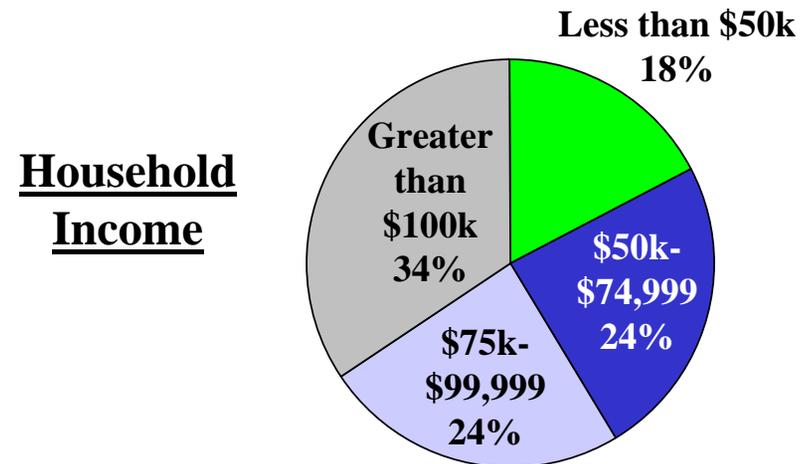
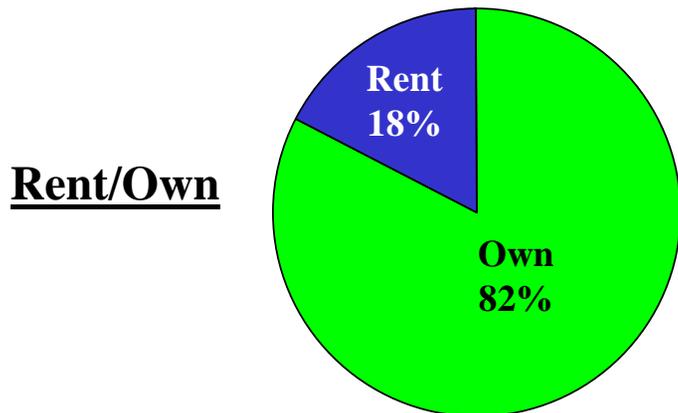
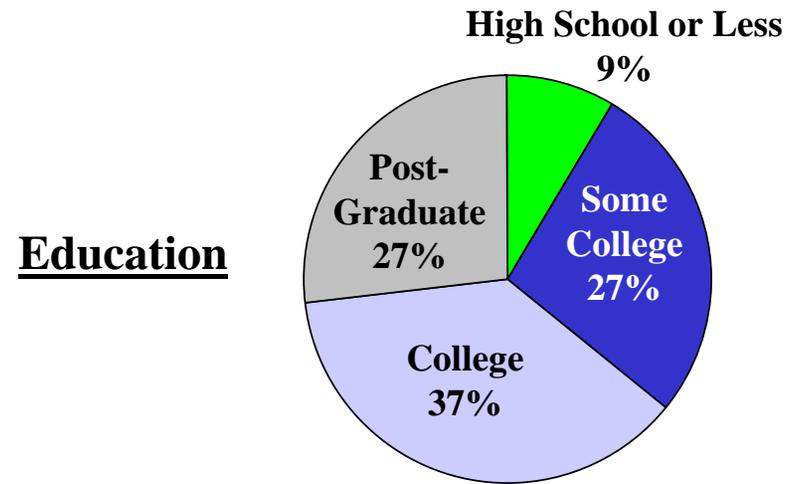
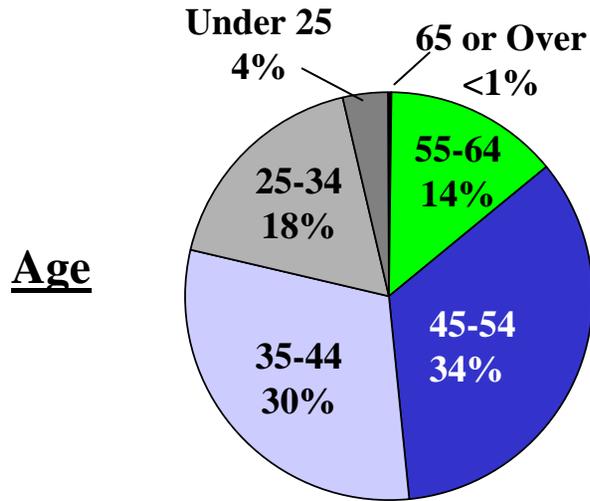


Most respondents without a checking account do not want or need one, or write too few checks to warrant one

- If you DO NOT have a checking account, please indicate reasons why.*

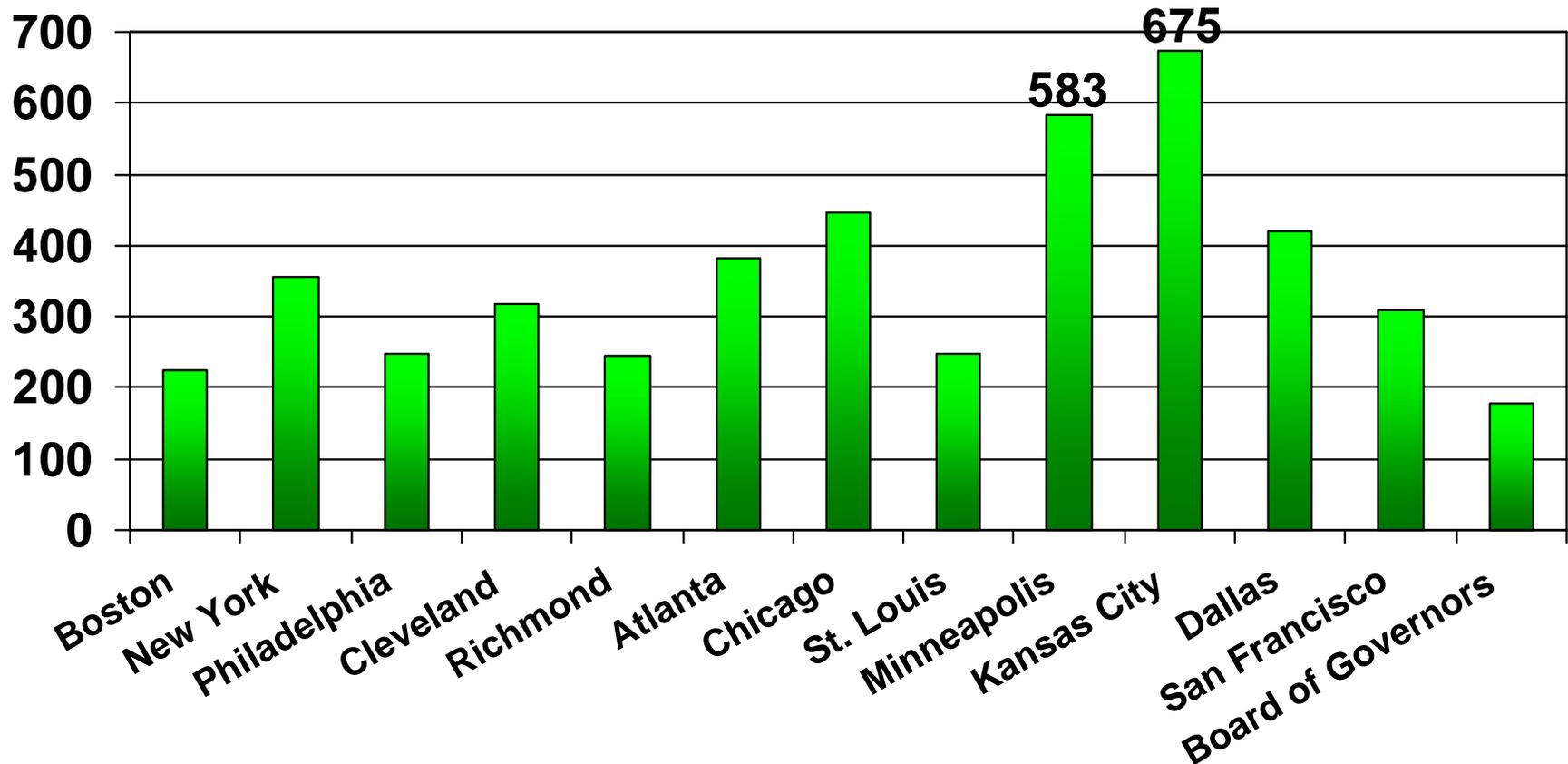


Most respondents are older, college educated, home owners, and are in the upper income level



Total survey responses by Federal Reserve District

- What is your Federal Reserve System District?*



Survey response rates by Federal Reserve District

(Total responses as a percent of employment)

