

# CONSUMERS' ROLE IN THE PAYMENTS TRANSFORMATION

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Claire Greene

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# Disclaimers

- The views expressed in this presentation are those of the author and do not necessarily represent the views of the Federal Reserve Bank of Boston or the Federal Reserve System.
- Results from the 2012 and 2015 Diary of Consumer Payment Choice (DCPC) and the 2015 Survey of Consumer Payment Choice (SCPC) are preliminary and subject to change.

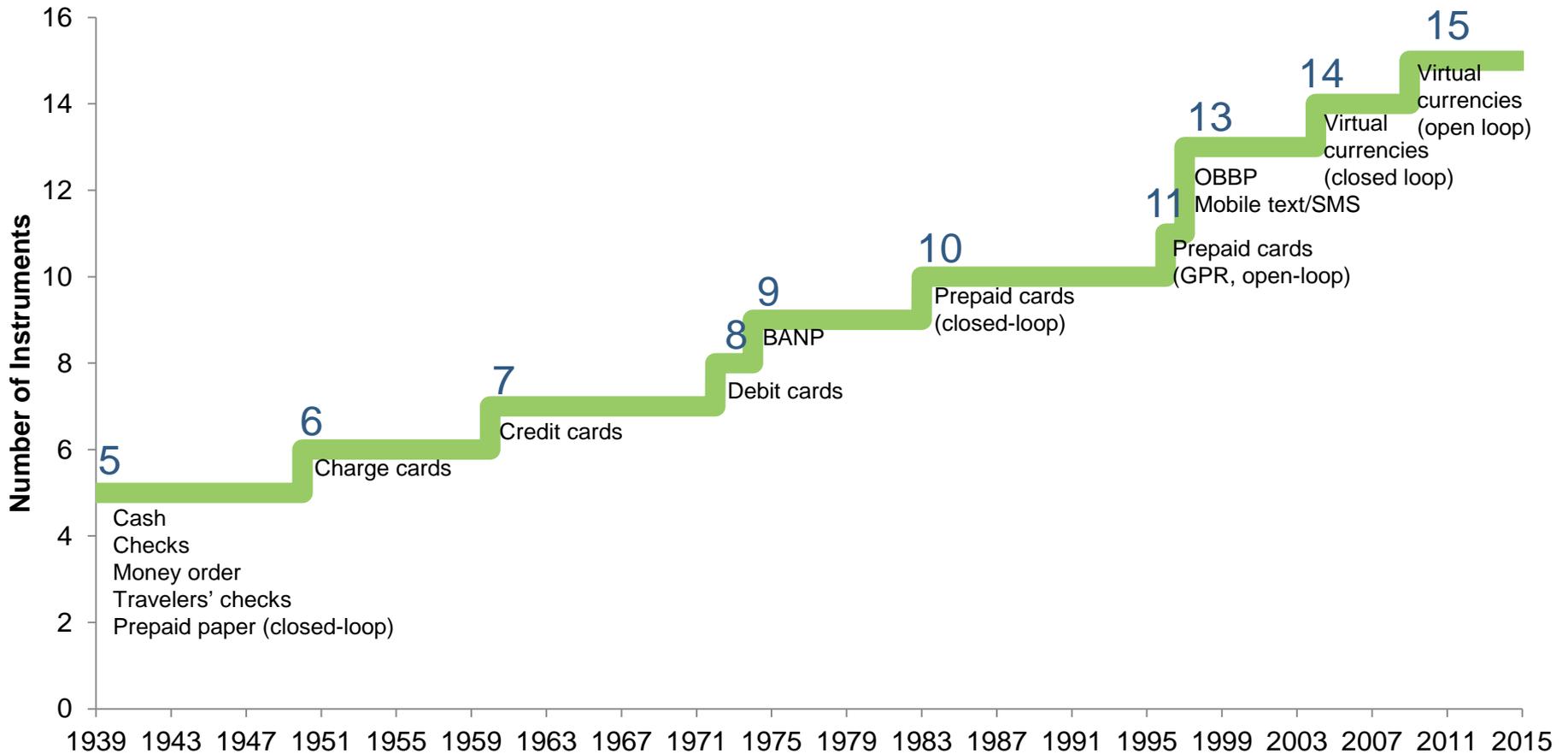
# The Consumer Role

- Boston Fed consumer payments data looks at consumer role (demand) in payment choice
- Consumers have lots of payment choices
- With so many options, how do consumers decide?
- Consumers are slow to change
- Consumers and innovation

# U.S. surveys of consumers

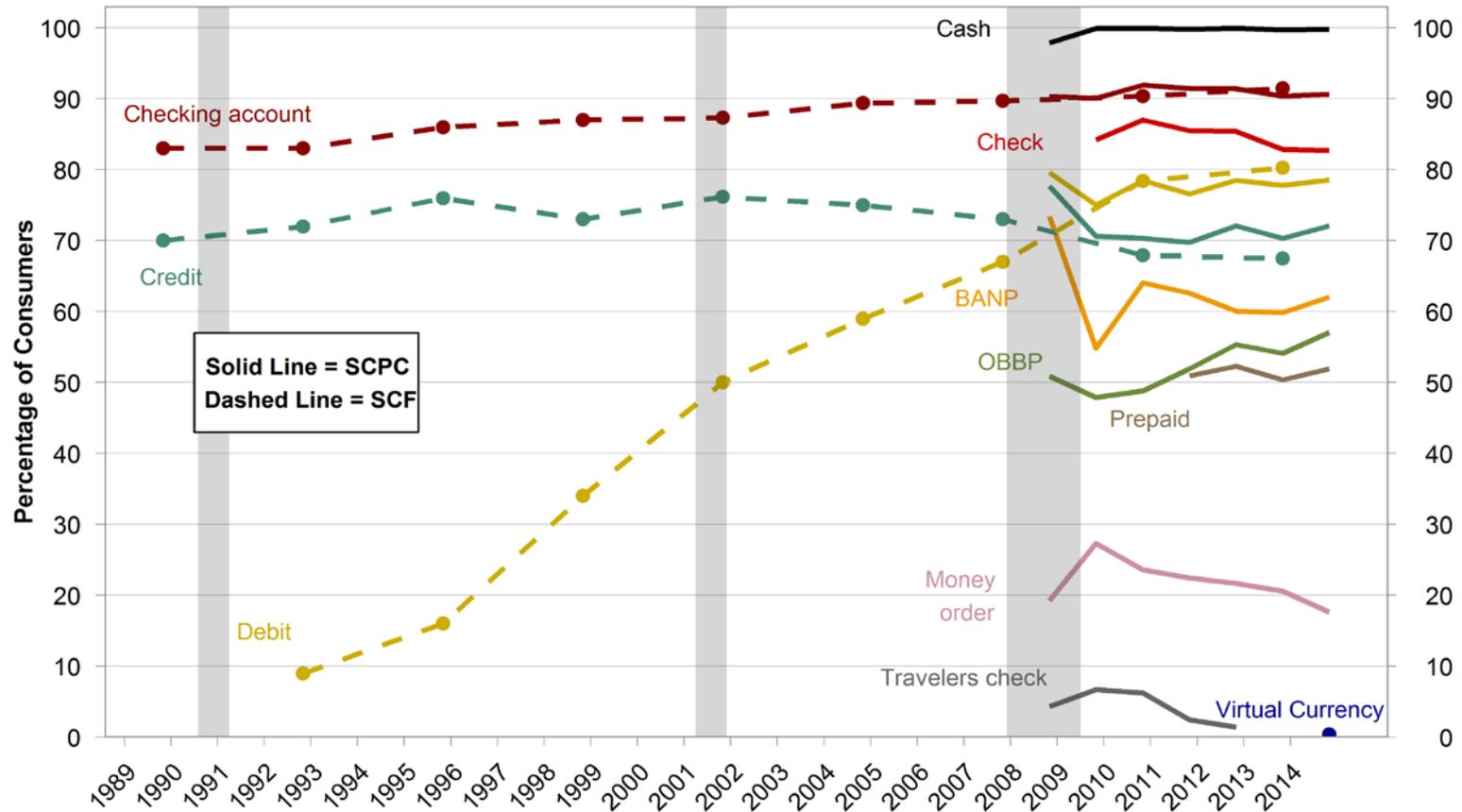
- **Survey of Consumer Payment Choice, SCPC (2008-2017)**
  - Adoption of deposit accounts and payment instruments
  - Use (# per month) of payment instruments by 7 payment types
  - Respondents rate payment instruments on characteristics
- **Diary of Consumer Payment Choice, DCPC (2012, 2015-2017)**
  - Collaboration with the Federal Reserve Bank of San Francisco Cash Product Office and Federal Reserve Bank of Richmond
  - Use (# and \$) of payment instruments for all payment types
  - Types of payees and consumer expenditures

# Consumers have more choices....



Source: Author's research.

# Consumers adopt new & keep old



Source: 2008-2014 Survey of Consumer Payment Choice (SCPC), 1989-2013 Survey of Consumer Finances (SCF).

# Three characteristics affect choice



Consumer



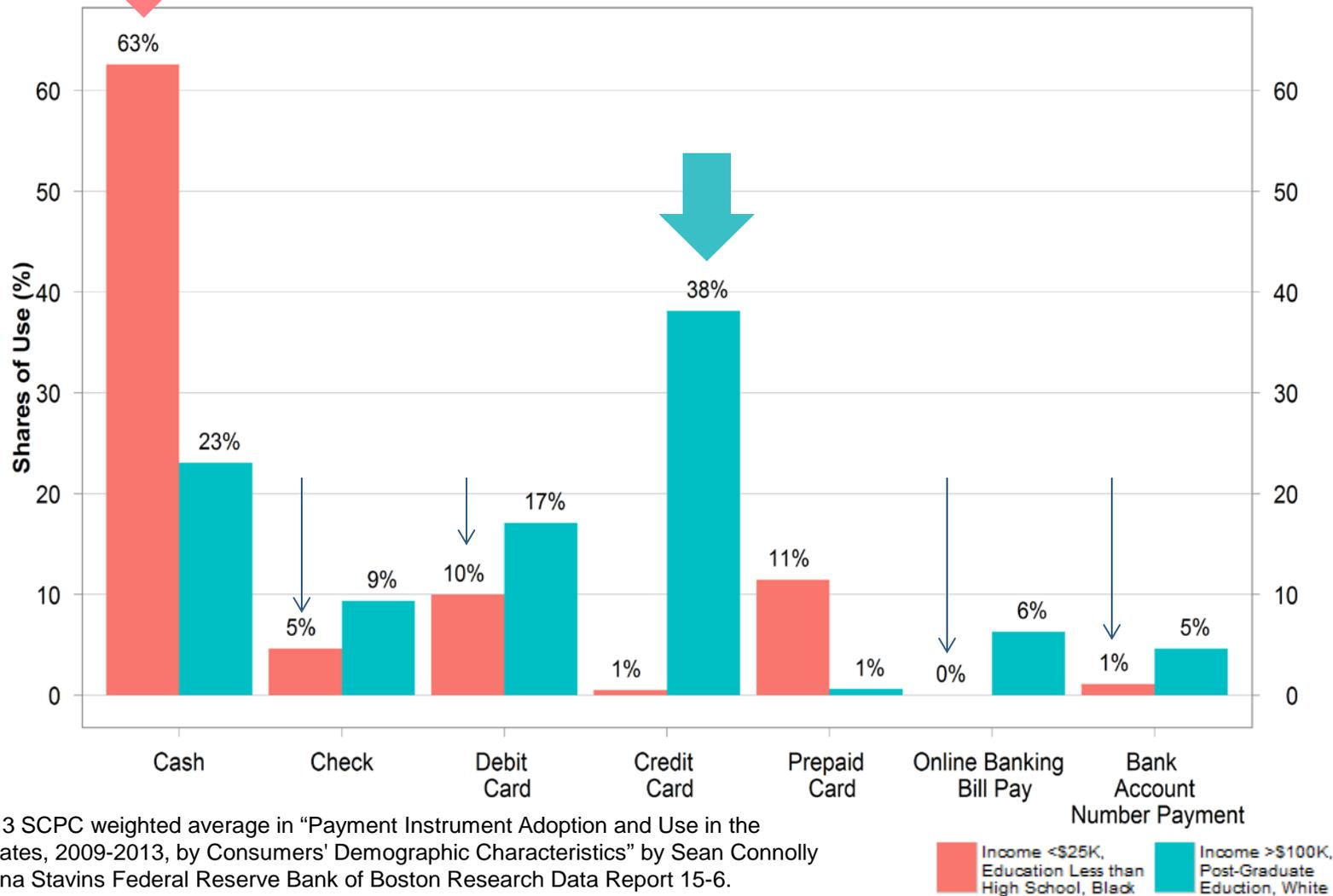
Payment  
instrument



Transaction



# Demographics & income affect use





# Three kinds of security



security of **wealth**



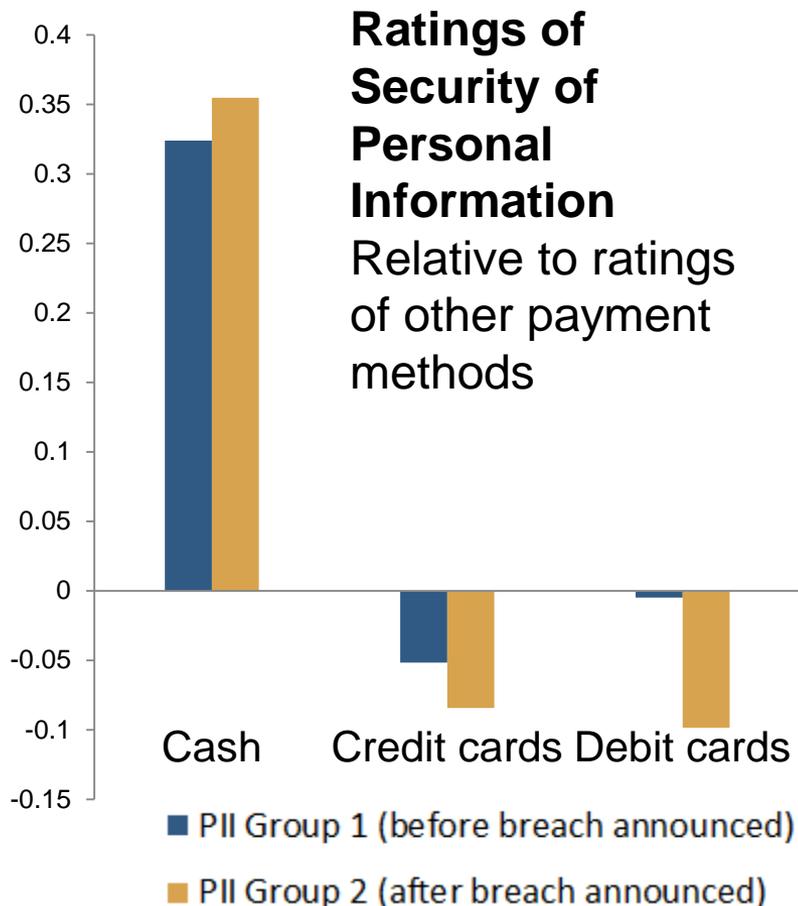
security of  
**personal info**



**privacy** of  
transaction

# Debit ratings low after Target breach

Consumers answering after the breach assess debit card security more poorly

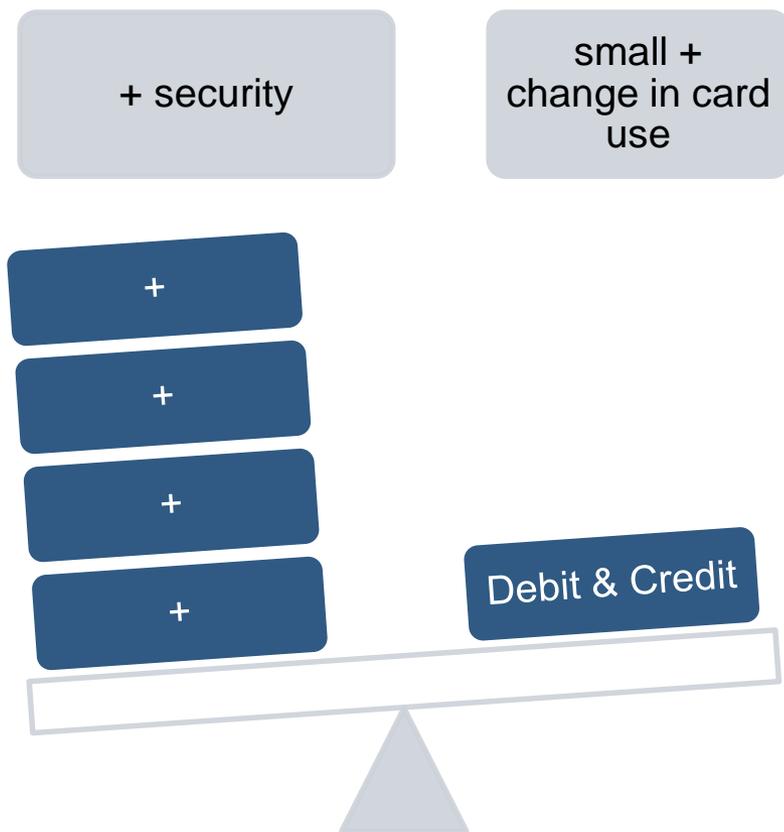


No long-run effect found

- No evidence that the breach announcement caused any long-term changes in payment behavior

*Source:* 2013 & 2014 Survey of Consumer Payment Choice.  
Cited in "Did the Target Data Breach Change Consumer Assessments of Payment Card Security?" by Claire Greene and Joanna Stavins. Federal Reserve Bank of Boston Research Data Report 16-1.

# Rise in security → slightly more use



Only security of wealth is relevant

Security's effect on use	Credit	Debit	Prepaid
Financial wealth	***	***	**
Personal information			*
Transaction information		*	

For credit & debit cards, the economic effect is small

Source: 2013 Survey of Consumer Payment Choice.  
Cited in "How Do Speed and Security Influence Consumers' Payment Behavior?" by Scott Schuh and Joanna Stavins  
forthcoming in *Contemporary Economic Policy*.

# PRODUCE

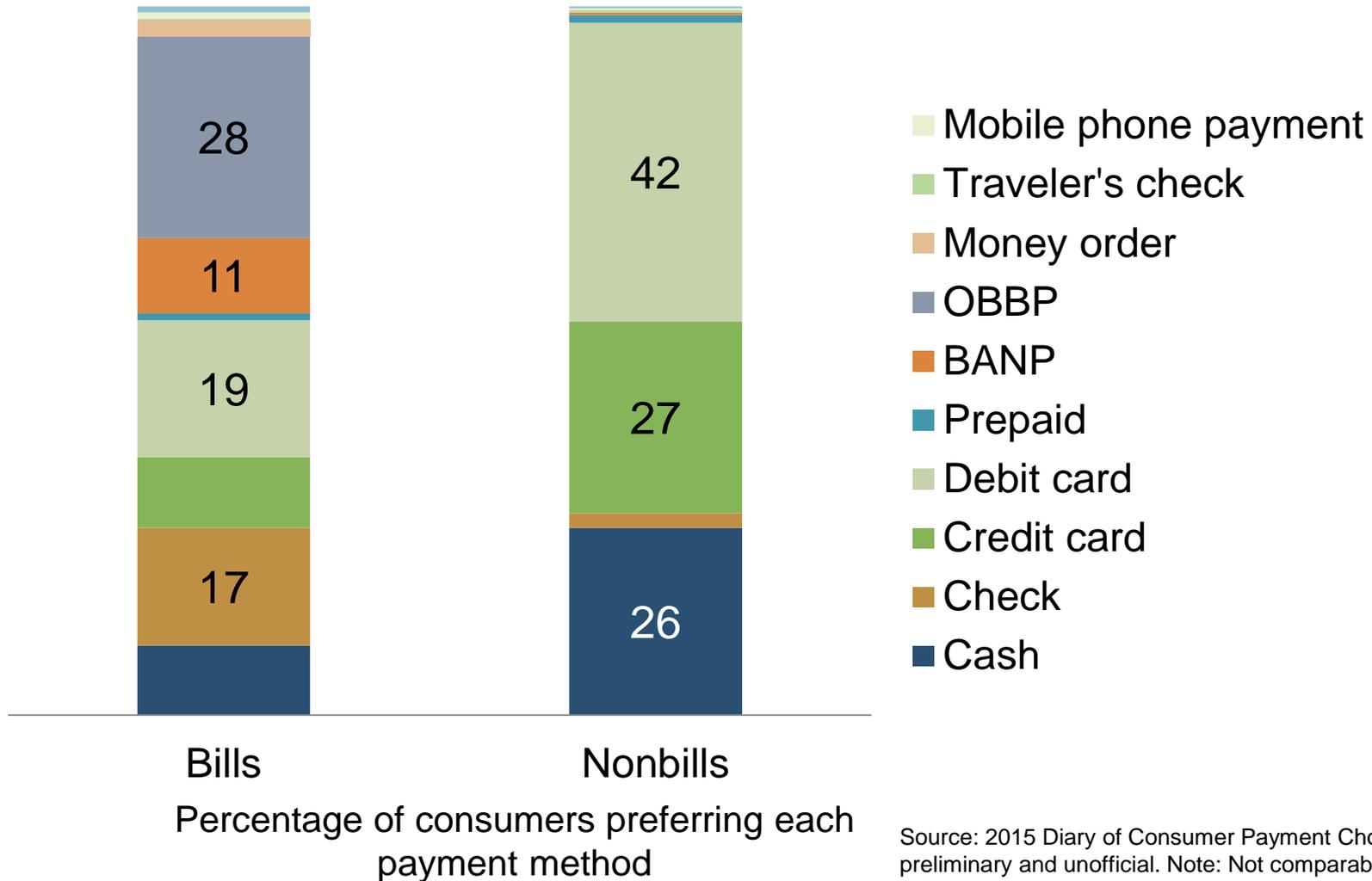
FRESH

FROM THE FARM

WINE

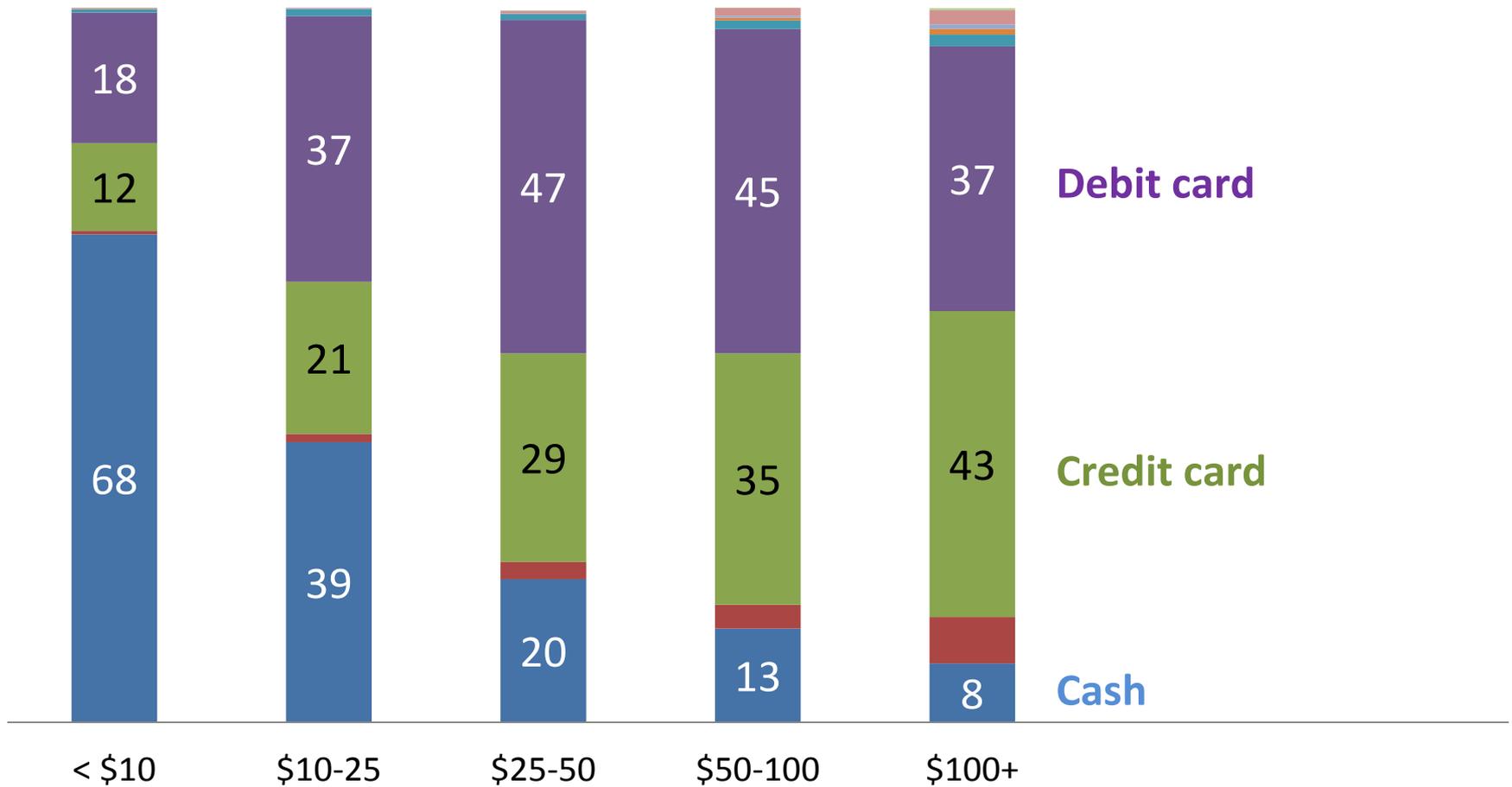


# Preferences differ for bills and non-bills



Source: 2015 Diary of Consumer Payment Choice, preliminary and unofficial. Note: Not comparable to 2012 DCPC due to questionnaire and sample changes.

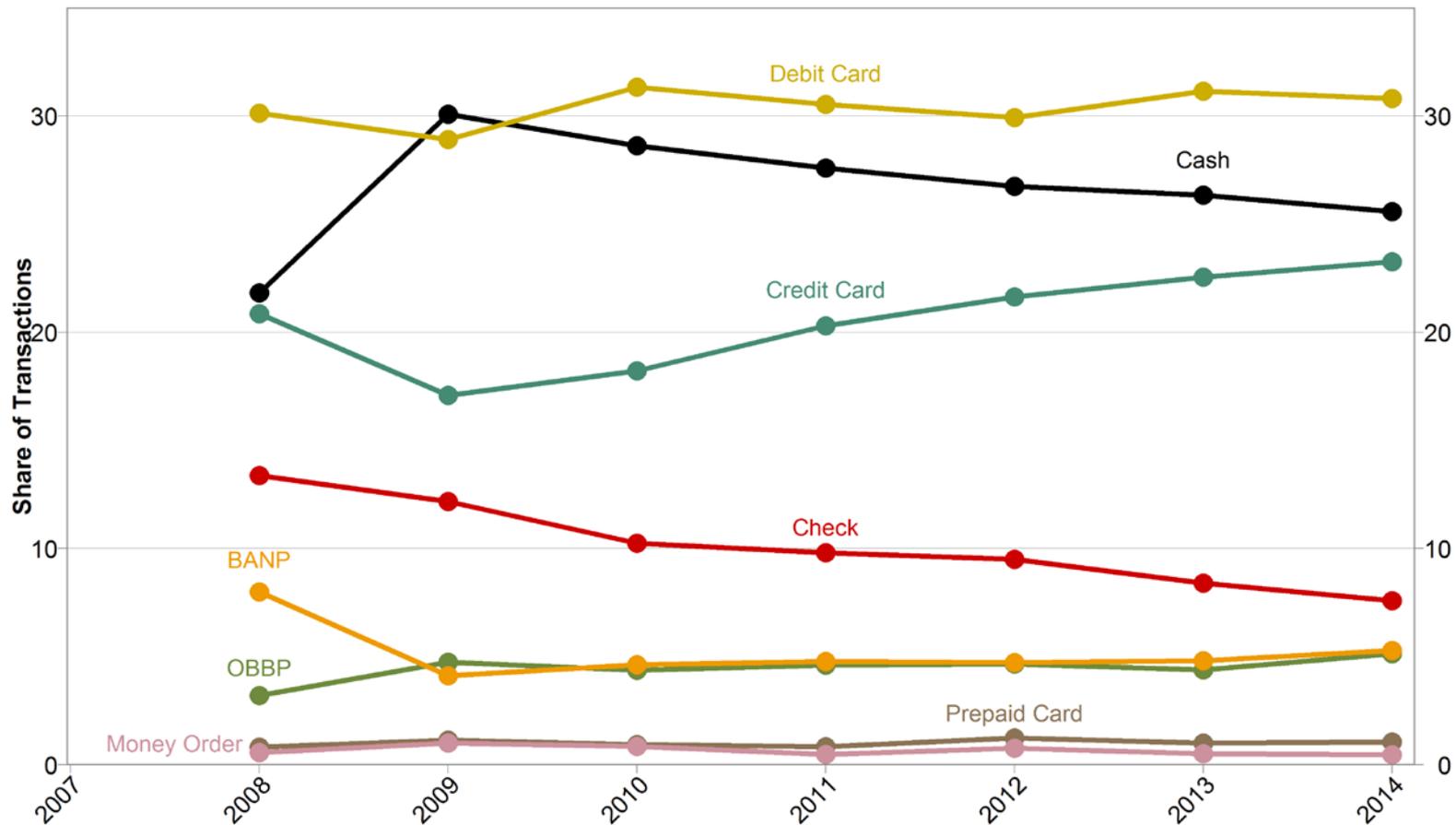
# Cash favored for low \$ in-person



Percentage of consumers preferring each payment method

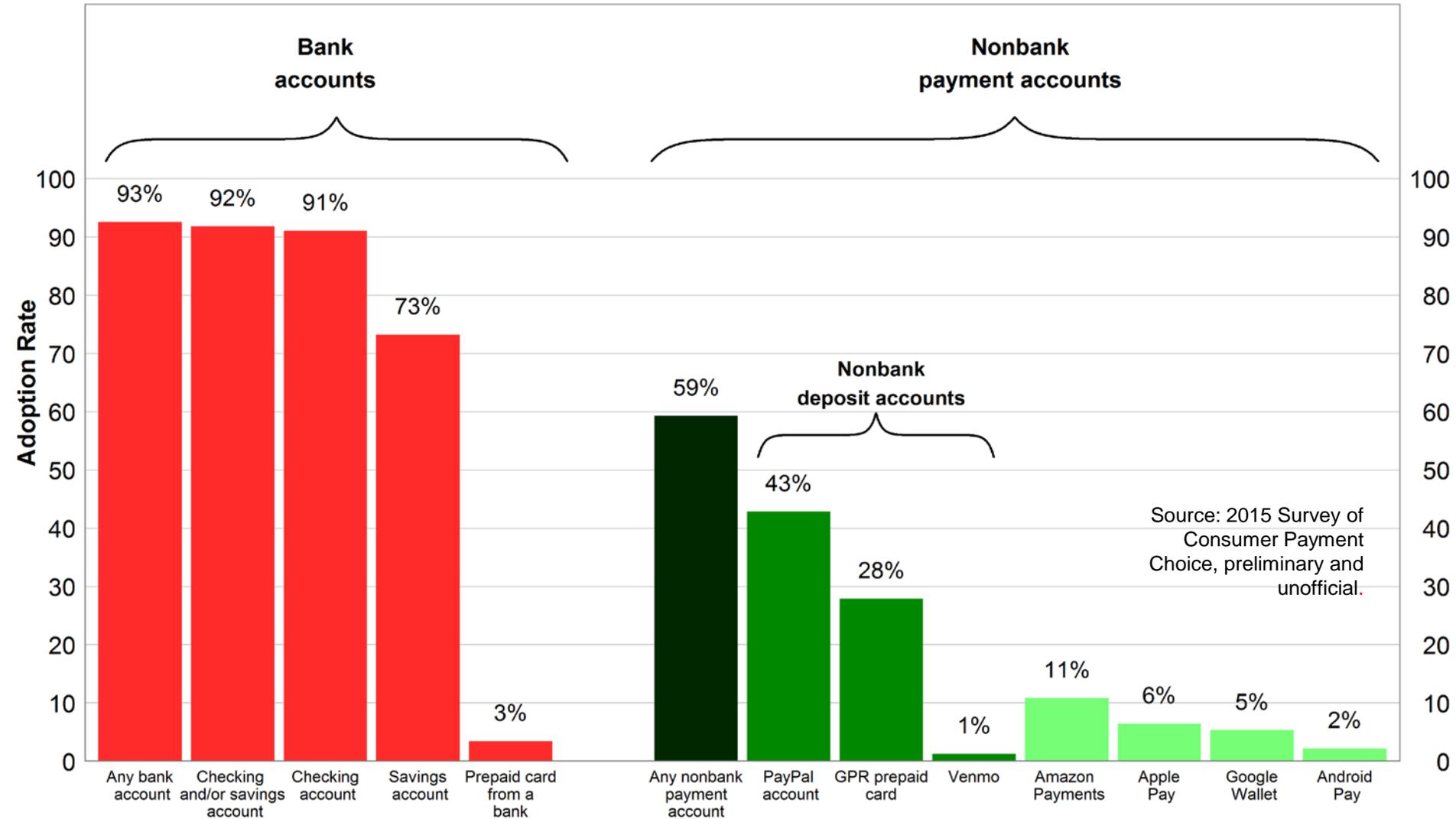
Source: 2015 Diary of Consumer Payment Choice, preliminary and unofficial. Note: Not comparable to 2012 DCPC due to questionnaire and sample changes.

# Payments behavior is sticky



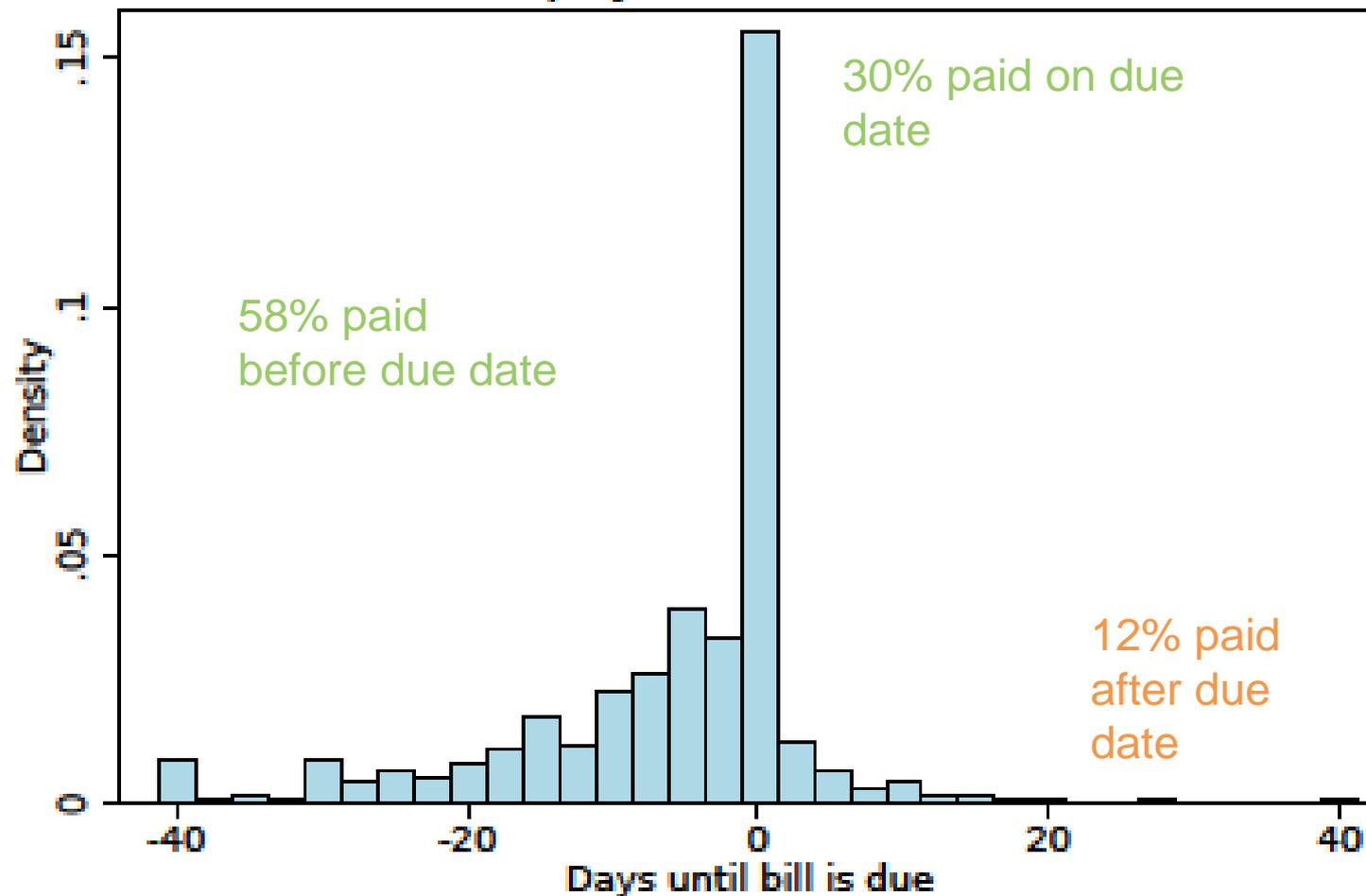
Source: 2008–2014 Survey of Consumer Payment Choice;

# Account ownership: bank & nonbank

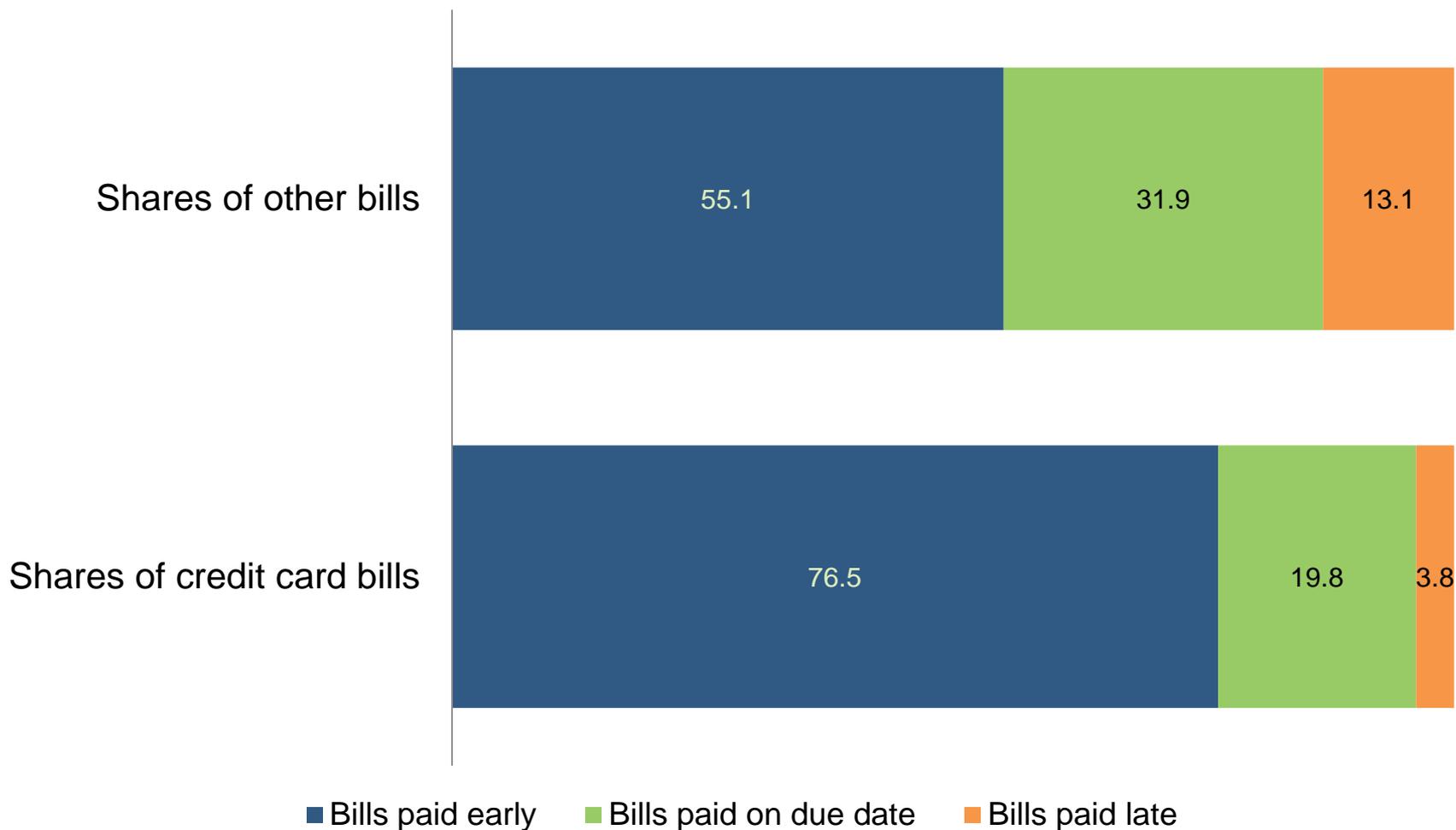


# Most bills paid on due date or early

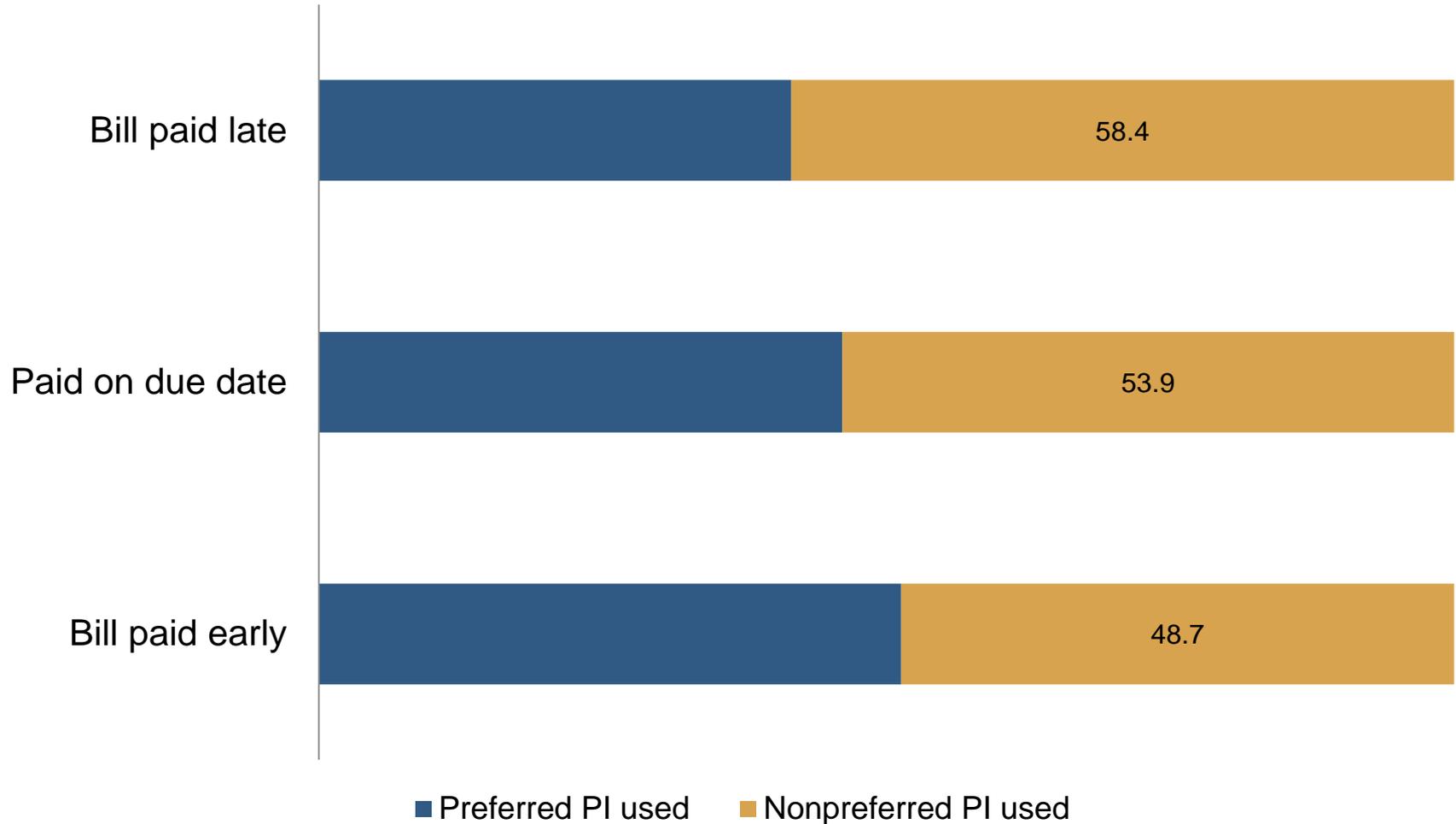
Distribution of bill payment date relative to due date



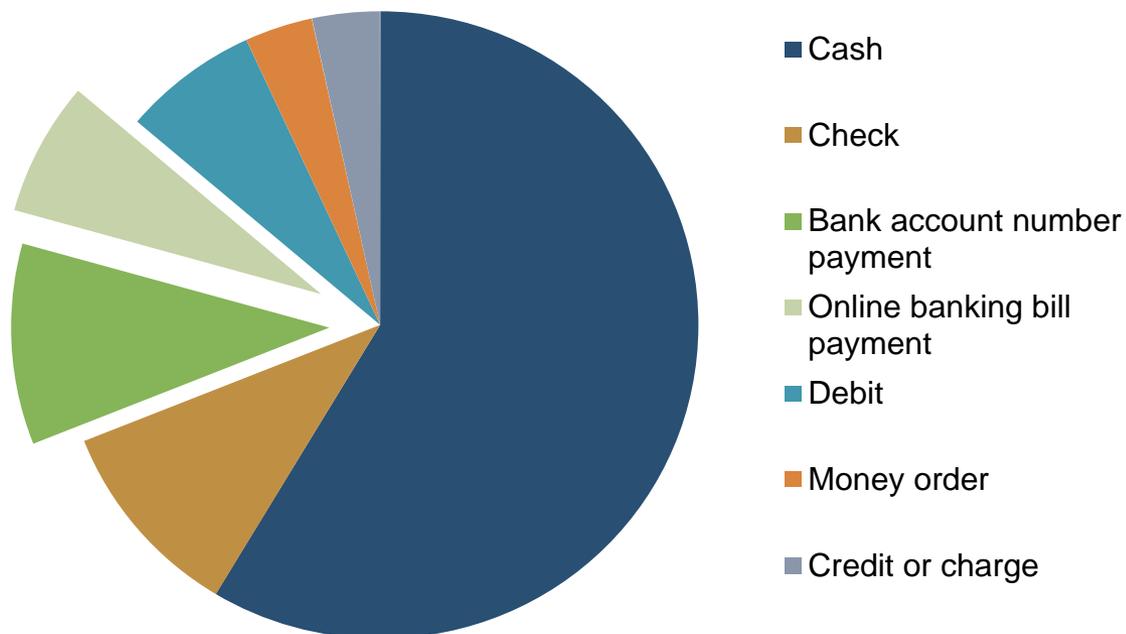
# Credit card bills less likely to be late



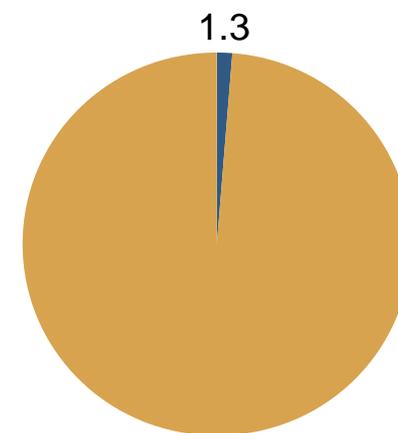
# Payment choice & due date



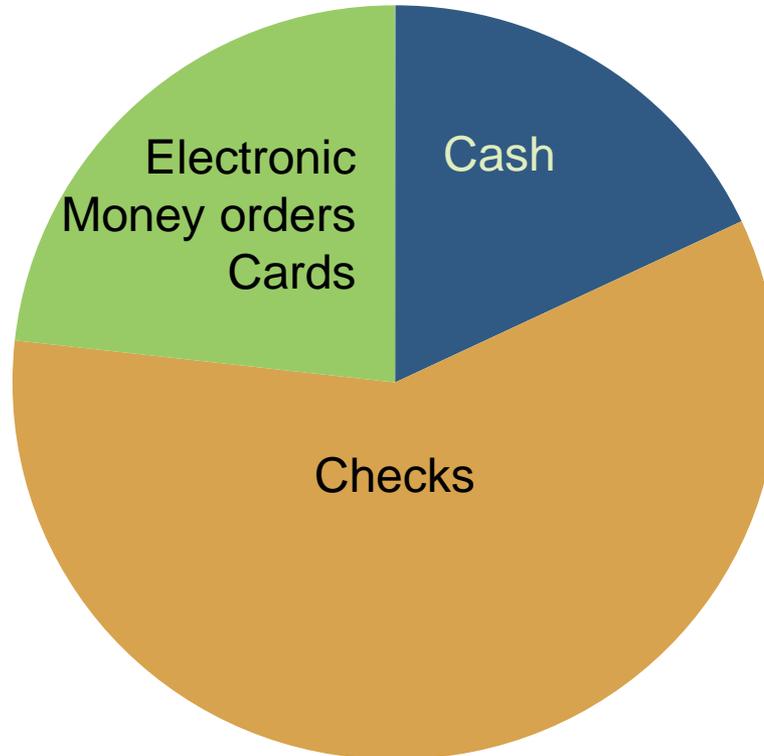
# P2P use (#): 60% cash



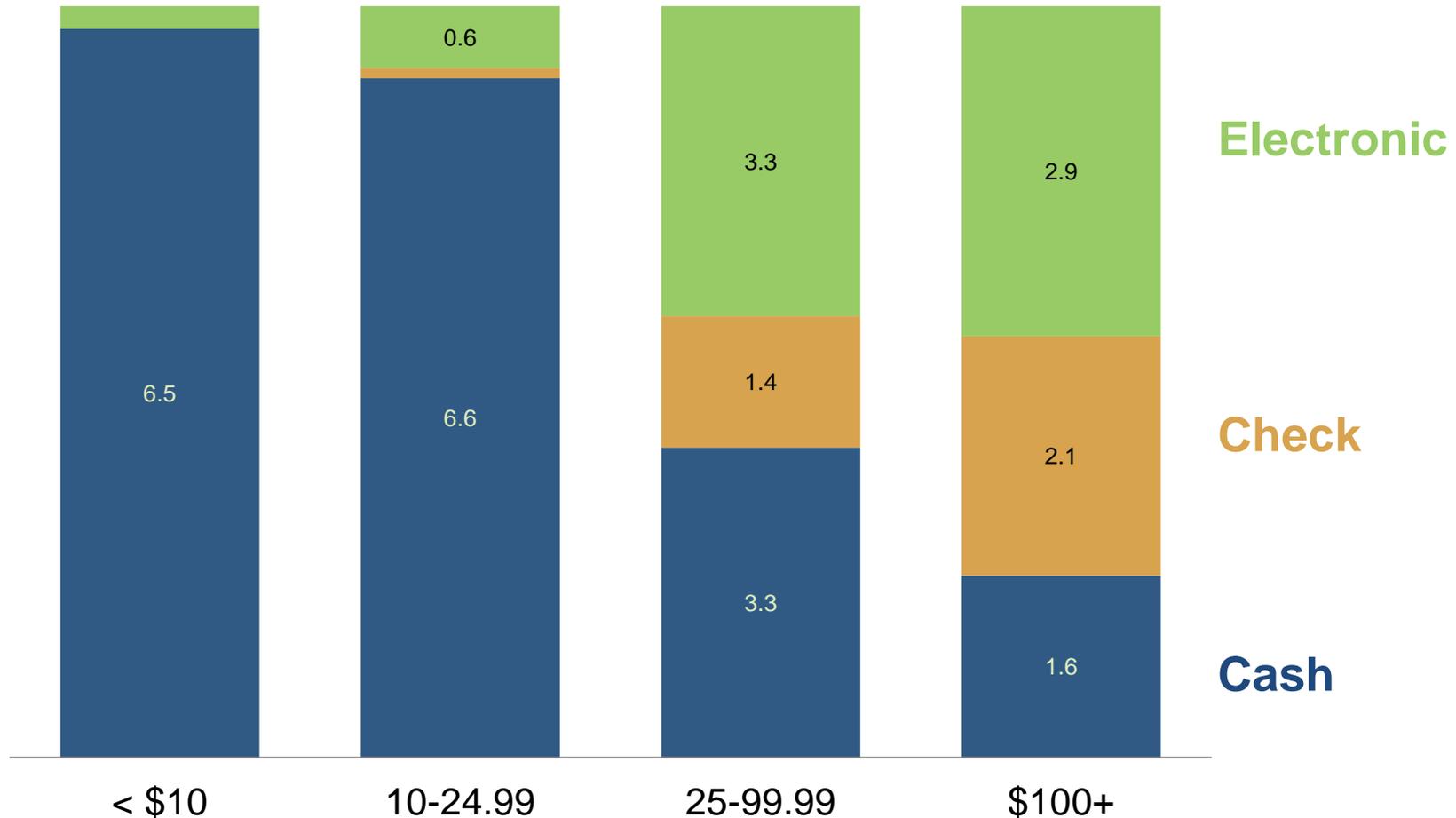
## Adopted Venmo



# P2P use (\$ value): 58% checks



# \$ value matters for P2P choice



Source: 2015 Diary of Consumer Payment Choice, preliminary and unofficial.

# The Consumer Role

- Technology changes quickly; people may not
  - Assessments & preferences are sticky
- 3 aspects influence choice
  - Consumer characteristics
  - Payment instrument characteristics
  - Transaction characteristics

# Using the data

- Reports, data tables, raw data for download
  - <https://www.bostonfed.org/payment-studies-and-strategies.aspx>

Thank you!

Claire Greene, payments analyst  
Consumer Payments Research Center  
Federal Reserve Bank of Boston  
Claire.m.greene@bos.frb.org

