

Overview of the Survey of Consumer Payment Choice (SCPC) Program

Scott Schuh

Federal Reserve Bank of Boston

May 6, 2010



Presented at the IACA 2nd Central Bank Forum on Payment Surveys, Buenos Aires, Argentina

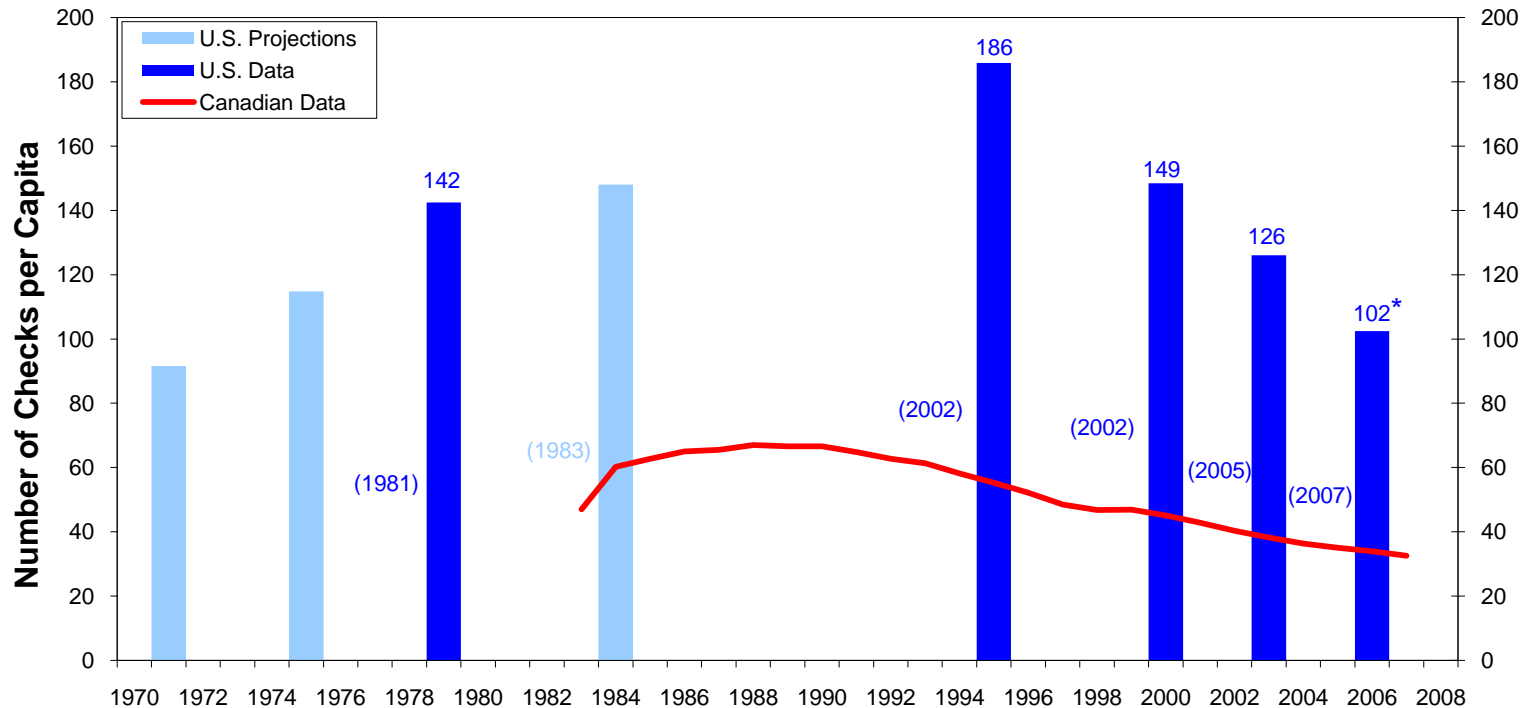


Presentation overview

- Motivation
- Federal Reserve Payment Studies (FRPS)
- Survey of Consumer Payment Choice (SCPC)
- Consumer payment adoption and use
- Future plans

Checks – publicly available data

U.S. check decline was not reflected in public data until late....



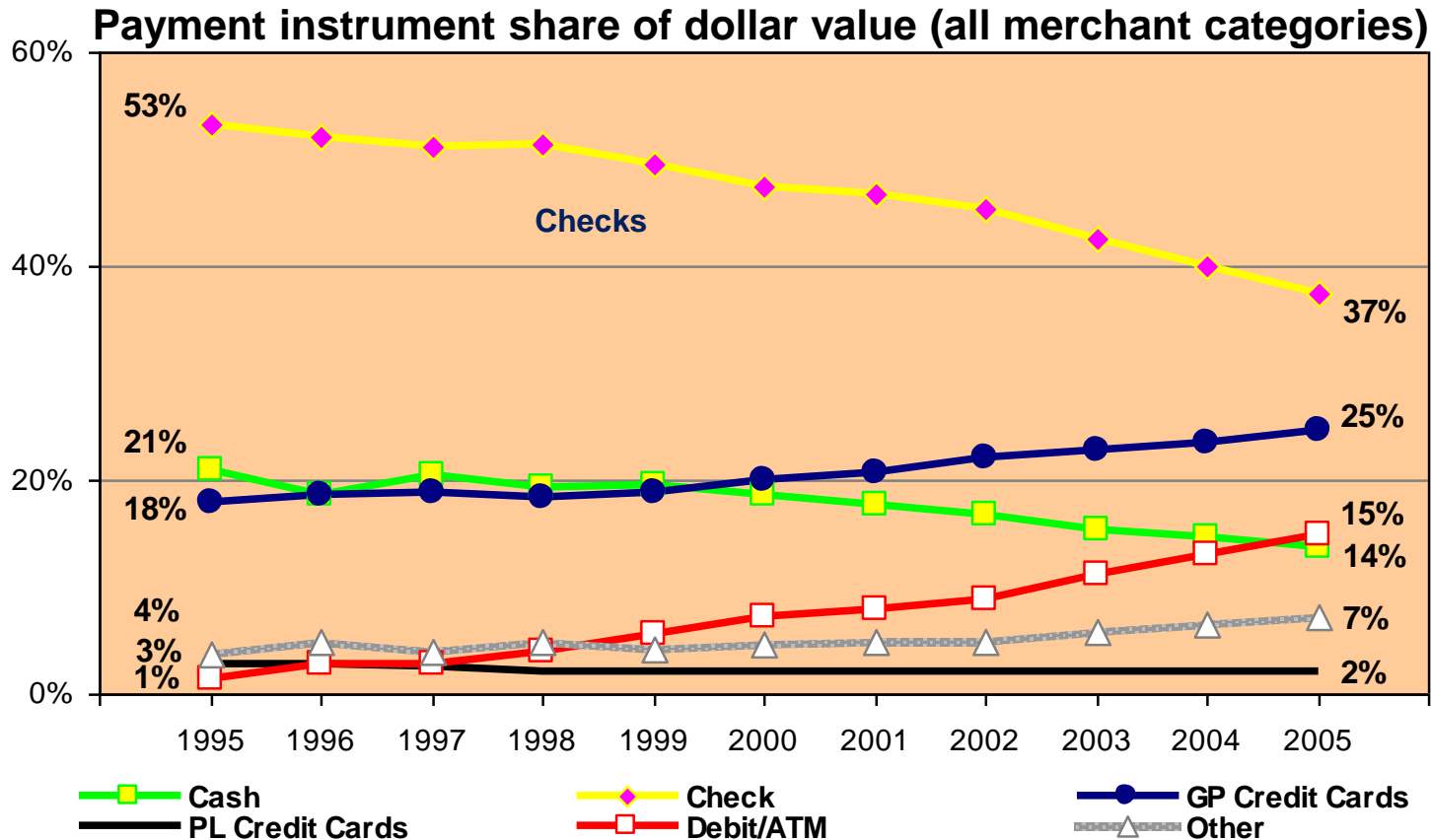
SOURCES: U.S. data: Federal Reserve Bank of Atlanta (1981, 1983); Federal Reserve System (2002, 2004); Gerdes and Walton (2002); Gerdes, Liu, Parke, and Walton (2005); Gerdes (2008); Benton, Blair, Crowe, and Schuh (2007).

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

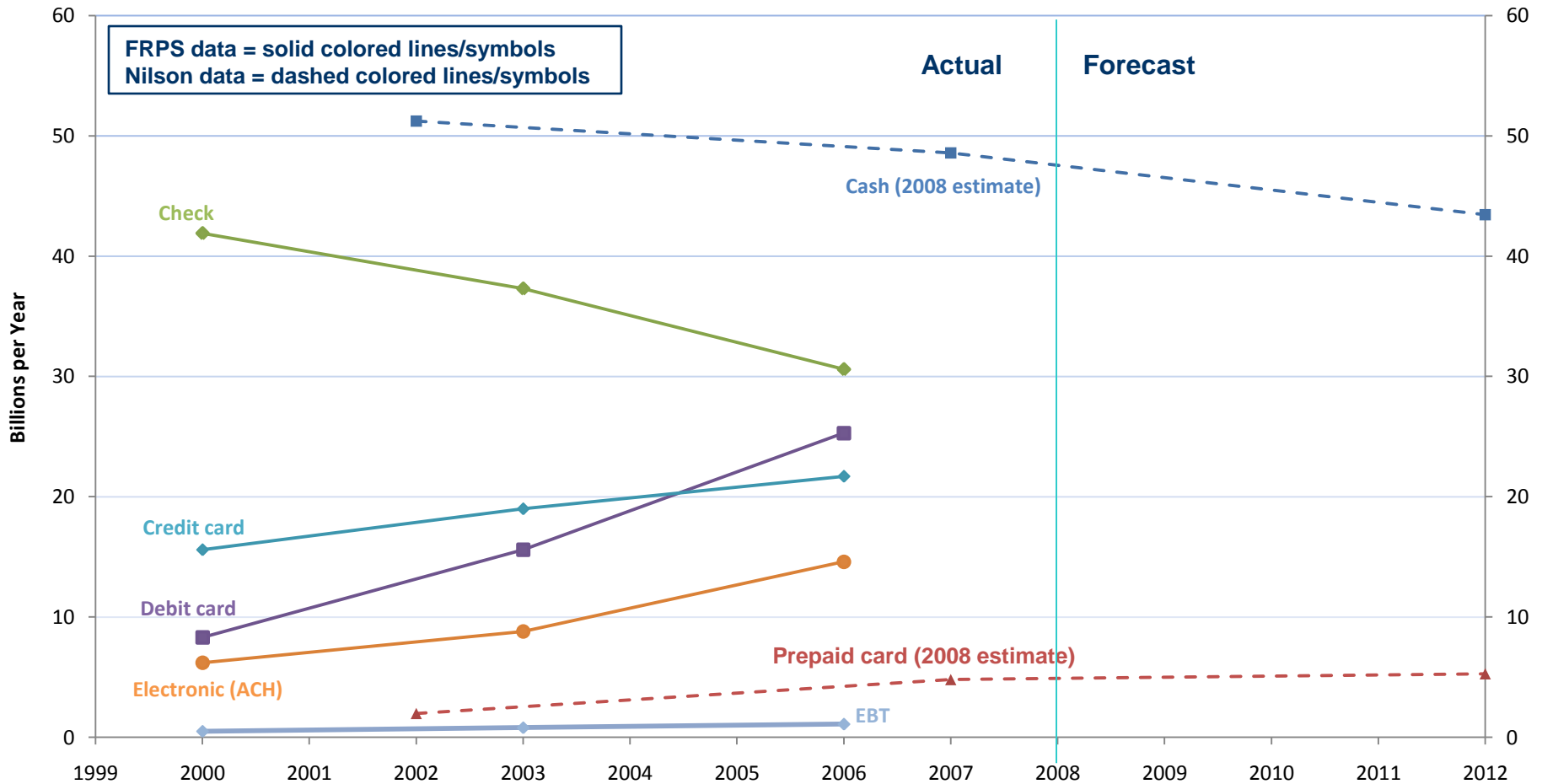
...but private data reflected U.S. check decline early and often.



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

Number of U.S. payments (FRPS)

Card and electronic payments are replacing paper payments



SOURCES: 2006 Federal Reserve Payment Study (FRPS), 2007 Nilson

U.S. consumer check use (FRPS)

Consumers are reducing their check use more slowly than others

	Number (billions)	Share (%)	
		Consumer share of U.S. checks	Consumer check share of noncash payments
2003*	19.1	50.9	23.5
2007	19.2	58.0	20.6

* Percentages of checks written by consumers are taken from the 2001 Retail Payments Research Report, also published by the Federal Reserve, and are used in all of the statistics quoted here on the assumption that they were constant between 2001 and 2003.

NOTE: Federal Reserve Payment Studies only have consumer data for check use but not for any other payment instruments

Boston Fed response

- Consumer Payments Research Center (CPRC)
 - Established in 2004 to study demand side of payments
 - Surveys consumer & develops data, e.g.
 - *Survey of Consumer Payment Choice (SCPC)*
 - *Survey of Payment Choice & Shopping Behavior*
 - Conducts economic research
 - Evaluates and develops public policies

SCPC overview

- *Survey of Consumer Payment Choice (SCPC)*
 - Consumer adoption & use of payment instruments (9)
 - Central goals are to develop:
 - Aggregate data for macroeconomic and trend analysis
 - Consumer-level data for microeconomic and policy analysis
 - SCPC fills a niche not covered by other sources, e.g.
 - *Survey of Consumer Finances (SCF)*
 - *Federal Reserve Payments Studies (FRPS)*
 - Annual data (2003-04, 2006, 2008, 2009, 2010, ongoing)
 - Available to the public for free, full disclosure of survey details

Payment instruments

Paper

1. Cash
2. Check
3. Money order
4. Traveler's check

Cards

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

Electronic (ACH-based use of bank accounts)

8. Online banking bill payment (OBBP)
Initiated by consumer from "inside" his/her bank without disclosing BA number
9. Electronic bank account deduction (EBAD)
Consumer use of BA number or information to authorize third-party payment

Payments concepts

- **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 (# of payments)
 - Dollar value of payments not collected (time limited, more difficult)

History of development

	2004	2006	2008	2009
Sponsor	Fed	AARP and Boston Fed	Boston Fed and RAND	Boston Fed and RAND
Sample	Employees of the Federal Reserve System	Consumers	U.S. consumers	U.S. consumers
Observations	4,597	1,500	1,010	2,173
Method	Paper and online	Telephone interview	Boston Fed and RAND	Boston Fed and RAND
Outline of Questions in Order of Appearance in the Survey	<p>Financial responsibility [1] Check writing behavior [7]</p> <p>Adoption [1]</p> <p>Use I [1] Reasons for no use [8] Change in use [1] Reasons for switching [5] Payment locations [5]</p> <p>Payment characteristics [5]</p> <p>Use II Check conversion [11] Payments by amount [2] Types of bill payments [2]</p> <p>Demographics [5]</p>	<p>Financial responsibility [1]</p> <p>Adoption [2] Check writing behavior [1] Reasons for no adoption [4]</p> <p>Employment, paycheck, & internet questions [16]</p> <p>Use I [2] Reasons for no use [6] Change in use [1] Bill payment choices [1]</p> <p>Payment characteristics [7]</p> <p>Use II Check conversion [15] Payment decisions by amount [3]</p> <p>Demographics [10]</p>	<p>Financial responsibility [4]</p> <p>Payment characteristics [12] Adoption [28]</p> <p>Use [21] Change in use Check conversion Types of bill payments</p> <p>History [18]</p> <p>Demographics [18]</p> <p>My Household Questionnaire [24]</p>	<p>Financial responsibility [4]</p> <p>Payment characteristics [5] Adoption [48]</p> <p>Use [11] Types of bill payments In person payments Payments for services</p> <p>History [10]</p> <p>Demographics [11]</p> <p>My Household Questionnaire [24]</p>

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

2008 official tables

Public Policy

Discussion Papers



No. 09-10

The 2008 Survey of Consumer Payment Choice

Kevin Foster, Erik Meijer, Scott Schuh, and Michael A. Zabek

Abstract:

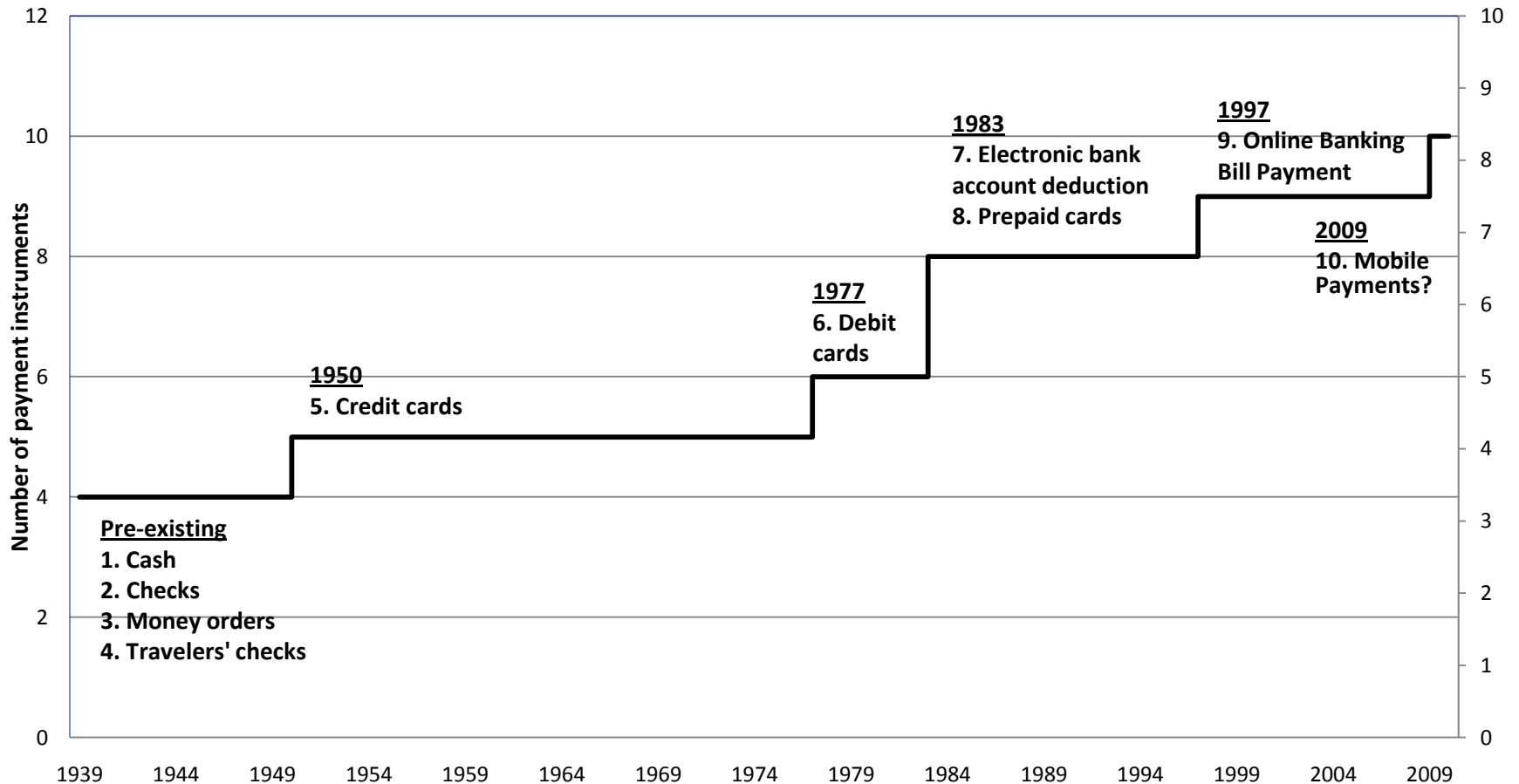
This paper presents the 2008 version of the Survey of Consumer Payment Choice (SCPC), a nationally representative survey developed by the Consumer Payments Research Center of the Federal Reserve Bank of Boston and implemented by the RAND Corporation with its American Life Panel. The survey fills a gap in knowledge about the role of consumers in the transformation of payments from paper to electronic by providing a broad-based assessment of U.S. consumers' adoption and use of nine payment instruments, including cash. The average consumer has 5.1 of the nine instruments, and uses 4.2 in a typical month. Consumers make 53 percent of their monthly payments with a payment card (credit, debit, and prepaid). More consumers now have debit cards than credit cards, and consumers use debit cards more often than cash, credit cards, or checks individually. Cash, checks, and other paper instruments are still popular and account for 37 percent of consumer payments. Most consumers have used newer electronic payments, such as online banking bill payment, but they only account for 10 percent of consumer payments. Security and ease of use are the characteristics of payment instruments that consumers rate as the most important.

JEL Classifications: D12, D14, E42

<http://www.bos.frb.org/economic/ppdp/2009/ppdp0910.htm>

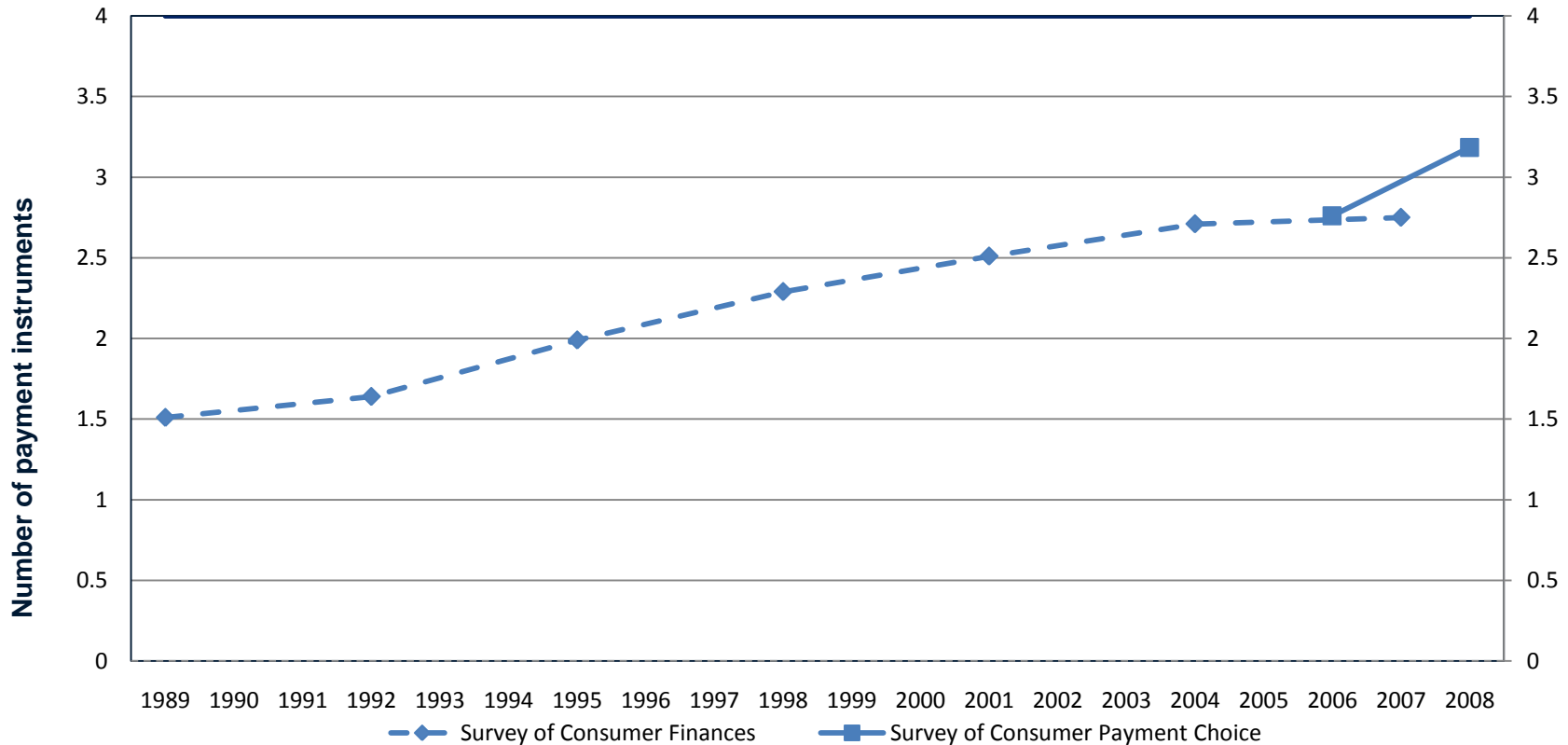
History of payment instruments

The number of payment instruments available to consumers is rising



Payment instruments per consumer

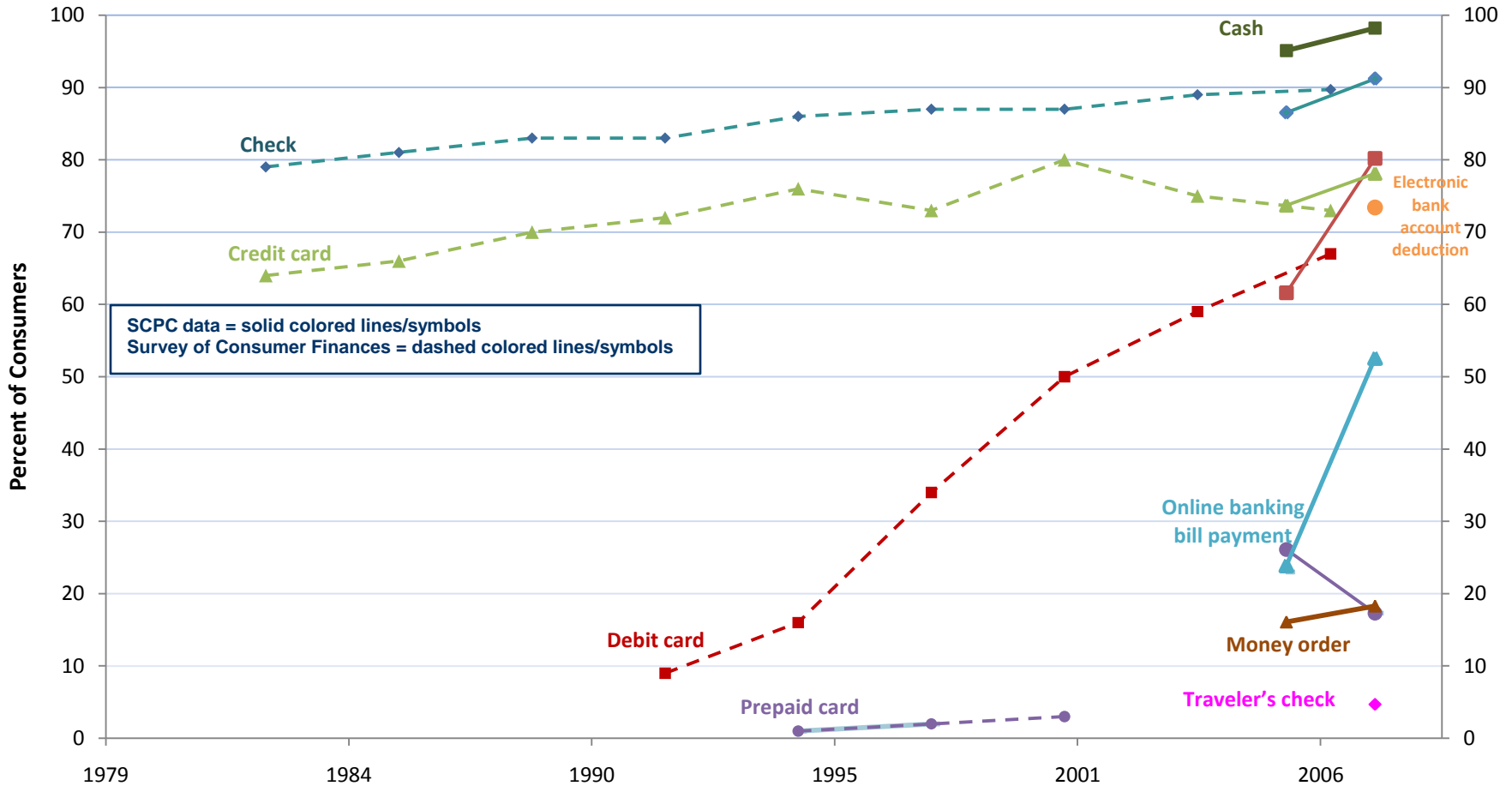
The average consumer has twice as many payment instruments as in 1989
(Four instruments = Check, CC, DC, and ABP)



SOURCES: 1983-2007 Survey of Consumer Finances; 2006, 2008 Survey of Consumer Payment Choice, subject to revision. See 2008 SCPC Table 8.

Adoption of payment instruments

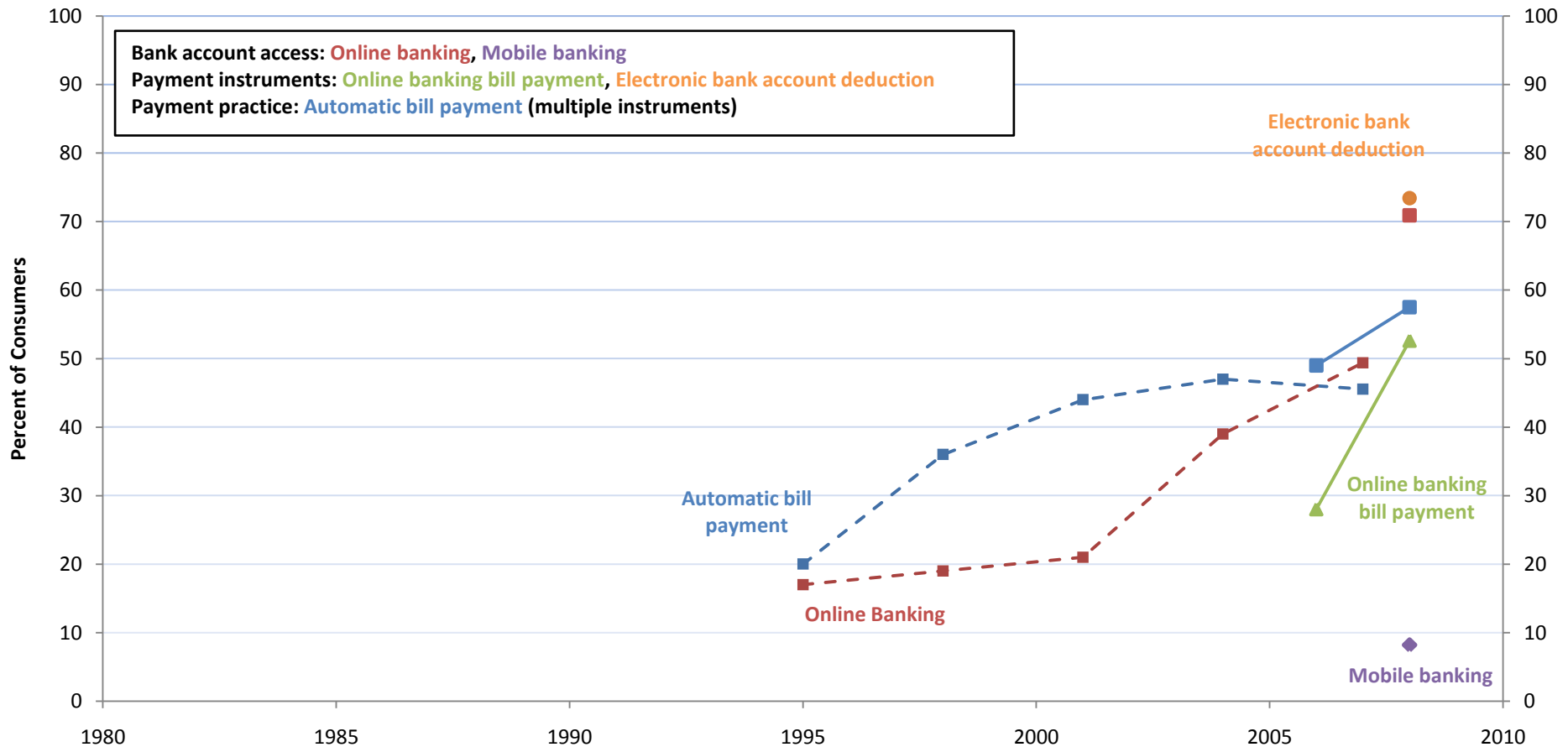
Consumers are adding new technologies (but not dropping old ones...)



SOURCES: 1983-2007 Survey of Consumer Finances; 2006, 2008 Survey of Consumer Payment Choice, subject to revision. See 2008 SCPC Table 4.

Adoption of payment practices

Consumers are finding new ways to access banks, make payments

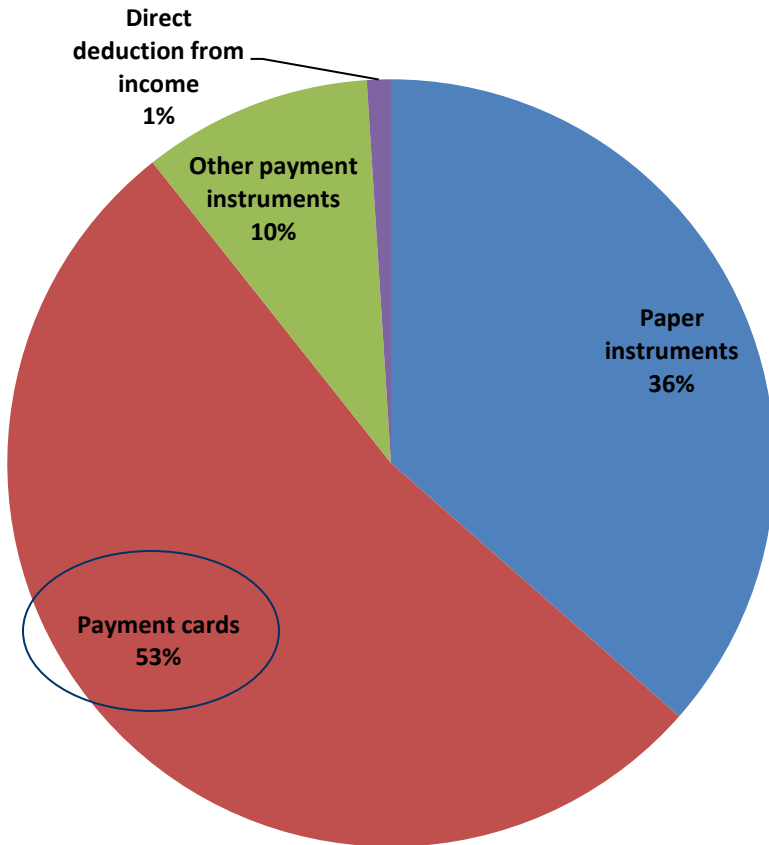


SOURCE: 2008 Survey of Consumer Payment Choice statistics subject to revision. See 2008 SCPC Tables 1, 4 , and 15.

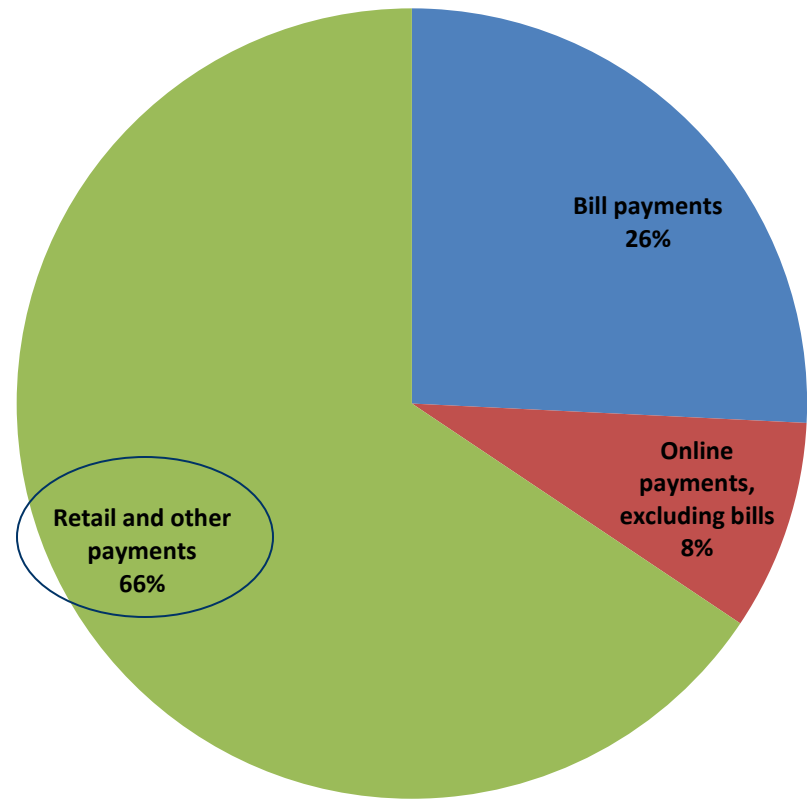
Payment use, 2008

Share of monthly volume of payments, 2008

By Payment Instrument



By Transaction Type



SOURCE: 2008 Survey of Consumer Payment Choice statistics subject to revision . See 2008 SCPC Tables 19 and 20.

Consumer cash management

The median consumer gets and holds much less cash than the average consumer, reflecting heavy cash use by relatively few consumers

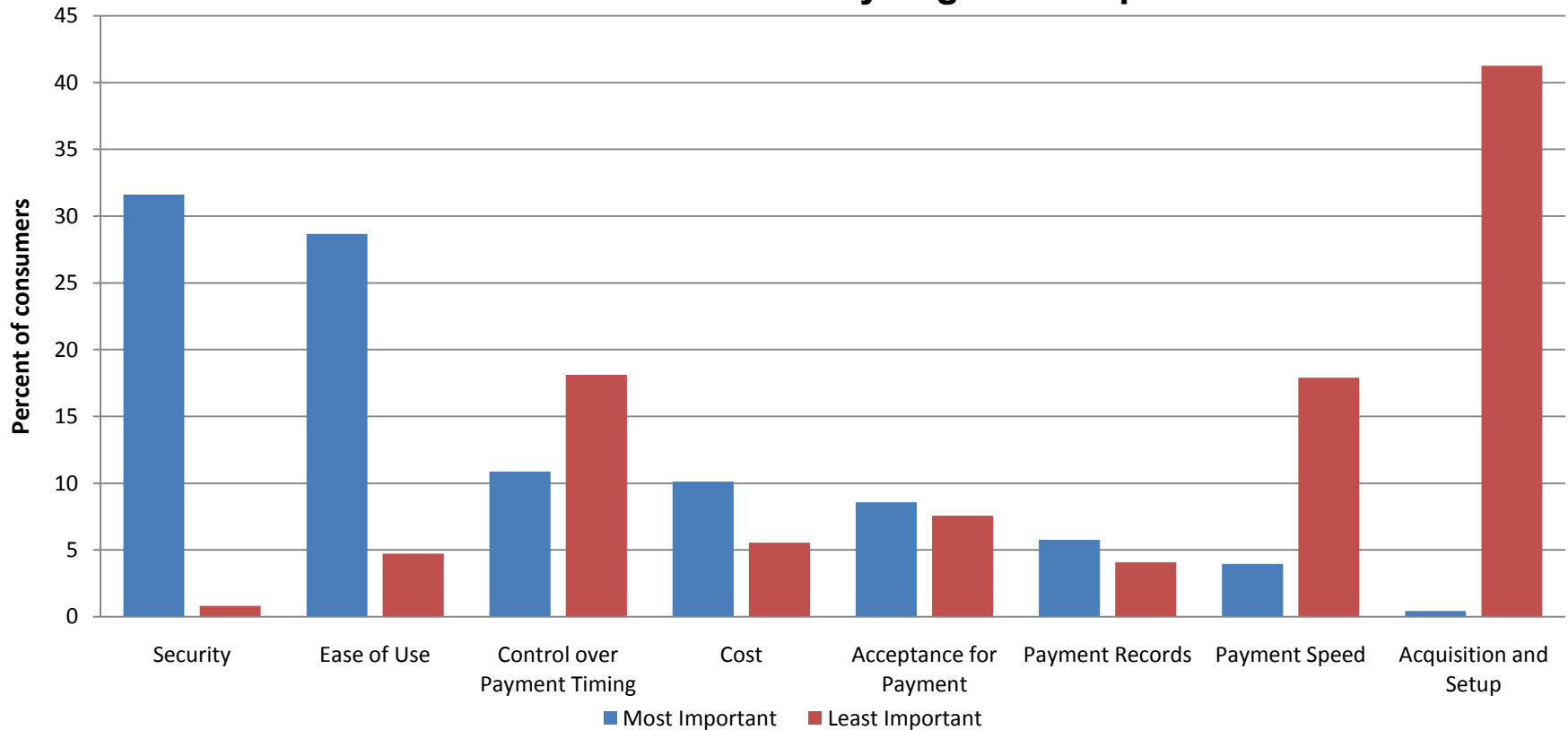
Statistic	Current Cash Holdings			Typical Cash Withdrawals		
	Total (\$)	On Person (\$)	Other (\$)	Monthly Amount (\$)	Typical Amount (\$)	Monthly Frequency (#)
Mean	230	79	157	335	102	4.3
Median	70	30	14	180	50	3.0

SOURCE: 2008 Survey of Consumer Payment Choice statistics subject to revision. See 2008 SCPC Table 10.

Payment instrument characteristics

Security and ease of use are most important to consumers

Consumers' assessments by degree of importance



SOURCE: 2008 Survey of Consumer Payment Choice statistics subject to revision. See 2008 SCPC Table 26

Future plans

- Continue to implement and refine the SCPC
 - Especially develop of longitudinal panel
- Expand program to get transactions data
 - Diary of Consumer Payment Choice (DCPC)?
 - Joint survey/data project with financial institution?
- Develop targeted surveys on specific topics
 - Cash, mobile payments, other?

SCPC production plans

Date	Projects
2010:Q2	<ul style="list-style-type: none"> • Release 2008 micro data (4/1/2010) • Publish 2009 official tables
2010:Q3	<ul style="list-style-type: none"> • Publish 2008 overview paper • Release 2009 micro data
2010:Q4	<ul style="list-style-type: none"> • Implement 2010 survey • Implement DCPC pilot (Oct)?
2011:Q1	<ul style="list-style-type: none"> • Board of Advisors meeting
2011:Q2	<ul style="list-style-type: none"> • Publish 2010 official tables
2011:Q3	<ul style="list-style-type: none"> • Publish 2008–2010 overview paper • Release 2010 micro data

More information

To download this presentation, the SCPC Tables publication, and/or SCPC micro data, or for more information about the

Consumer Payments Research Center
Federal Reserve Bank of Boston

visit our web site:

<http://www.bos.frb.org/economic/cprc/index.htm>