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# The 2009 Methods of Payment Study: Preliminary Results and Lessons Lorna Thomas

IACA Second Central Bank Forum on Payment Surveys  
Buenos Aires, May 2010

This presentation is being shared with participants at the Second IACA Central Bank Forum on Payment Surveys held in Buenos Aires, 6-7 May 2010. The figures presented here are preliminary and subject to change; the Bank of Canada will publish final data and analysis in due course. Participants are asked not to circulate or quote this presentation outside their respective organizations.



# Outline

- Project objectives
- Methodology
- Some results
- Lessons learned and next steps





## Objectives of the Study

- When, where, and how often cash is used in day-to-day transactions?
- What factors determine payment instrument adoption and usage?
  - The role of fees / rewards
  - The role of other attributes such as risk, convenience and acceptance
- Research-on-research on survey methodology



# Questionnaire<sup>1</sup>

- Banking and credit card accounts (17 questions)
  - Fees / rewards / limits
  - Balances
- Payment volumes (2 questions)
- Cash management such as cash holdings and withdrawals (7 questions)
- Consumer perceptions by attributes such as convenience, costs, risk and acceptance (11 questions)
- Socioeconomic variables (15 questions)

1/ Aspects of the questionnaire are based, in part, on the Federal Reserve Bank of Boston's Survey of Consumer Payment Choice



## 3-day Diary

- Cash by denomination and cards on hand at day 1
- Purchase of goods or services
  - Core questions: how much, what, where, when, and payment instrument used
  - Experimental questions: reasons why payment instrument chosen and perceived acceptance
- Cash obtained during the 3 days
  - Where
  - How much



# Sampling and Research-on-Research

## Online Survey

- Filled out online
- Sample drawn from 200,000 panelists
- Target 2,000 diaries

## Mail Survey

- Paper-based survey instruments
- Sample drawn from 60,000 panelists
- Target 1,000 diaries

Not Connected 31%

## Telephone Survey

- 1,000 RDD sample
- 4 questions from the questionnaire

Benchmark



# Number of Valid Responses

## Online Questionnaires

- 5,701 valid questionnaires
- 15.7 % response rate
- Partial incentive if diary not carried on

## Online Diaries

- 2,298 valid diaries (40.3% of those who completed the questionnaire)
- 2,298 valid diaries
- 40 invalid diaries
- \$25 incentive

## Final Sample

- 6,868 questionnaires
- 3,465 diaries
- Weights based on research-on-research

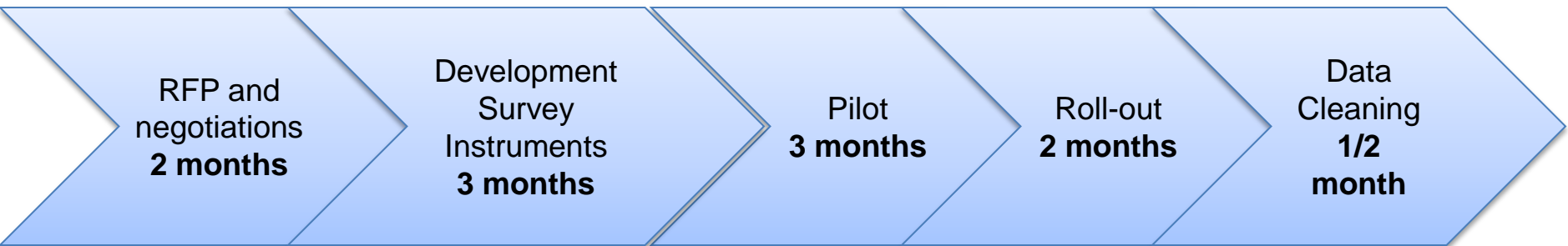
## Offline paper questionnaires and diaries

- 1,167 valid questionnaires and diaries
- 22.9% response rate
- 20% invalid diaries
- \$25 incentive



## Time Table

### Initial Plan with RDD (10.5 months)



### Actual with Access Panels (13 months)







# Memory is Unreliable

	Memory of Typical Month (Questionnaire)	Diary		ATM / Card Associations	
	Volume	Volume	Value	Volume	Value
<b>Cash</b>	44.6%	54.7%	24.2%	53.2% <sup>1</sup>	19.6% <sup>1</sup>
<b>Debit Cards</b>	36.3%	24.2%	32.7%	28.3%	29.3%
<b>Credit Cards</b>	19.1%	21.1%	43.1%	18.6%	51.1%

<sup>1/</sup> Estimations based on ATM cash withdrawals

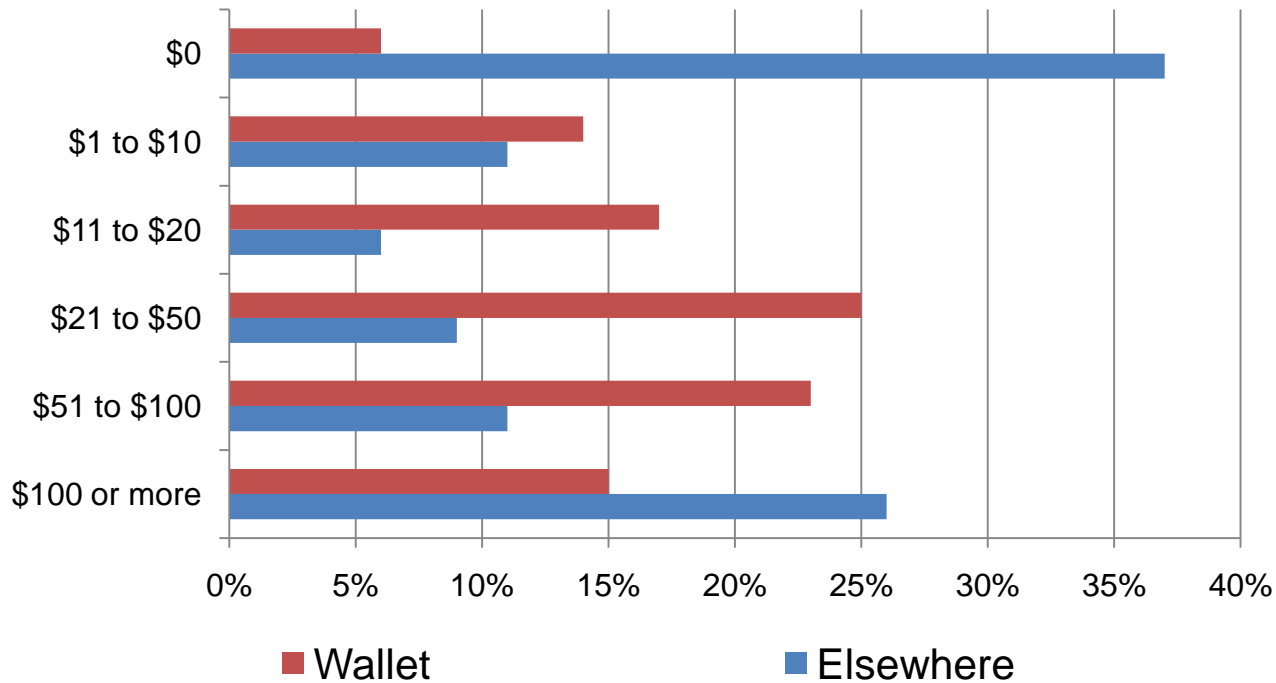
**Diary cash shares higher among:**

- Age 55-75
- <\$30K income
- Rural
- Disconnected



# Most Canadians Have Some Cash in their Wallets but Many “say” They Don’t Hoard

## Canadian Cash On-Hand



**MEAN: \$67.52<sup>1</sup>**

↑ Male: \$103  
 ↑ Age 55-75: \$123  
 ↓ Age 18-34: \$52

**MEAN: \$234.80<sup>2</sup>**

↑ Male: \$477  
 ↑ Age 18-34: \$504  
 ↑ \$100K + : \$541  
 ↑ Not connected: \$446  
 ↓ <\$30K: \$156

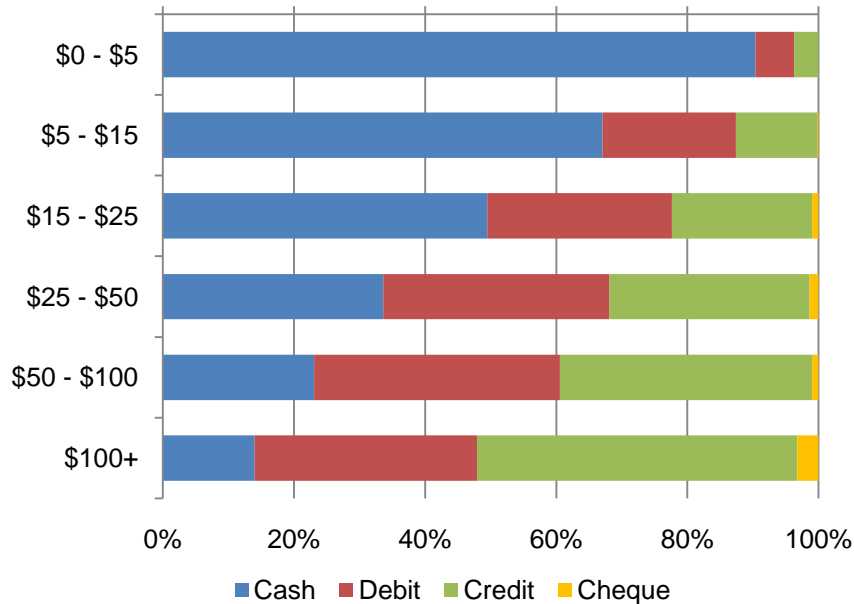
Notes:

1. Excludes cases >\$1,000 (N=13, 0.2% of all cases)
2. Excludes cases >\$10,000 (N=14, 0.2% of all cases)



# Diary goes Beyond Perception

Payment Shares by Transaction Value



	Mean	Median
<b>Total</b>	\$44.98	\$16.00
<b>Personal Cheque</b>	\$192.49	\$46.00
<b>Credit Card</b>	\$89.38	\$38.81
<b>Debit Card</b>	\$60.94	\$30.00
<b>Stored Value Card</b>	\$23.74	\$5.25
<b>Cash</b>	\$19.17	\$8.00



# Paper Instruments used Because you Have to?

## Perceived Payment Methods NOT Accepted by Payment Method Used

	Cash	Credit	Debit	Personal Cheque	Stored value card
Credit Card	38%		9%	58%	17%
Debit Card	32%	10%		75%	33%
Cash		7%	2%	12%	2%
Other	6%	6%	4%	1%	6%
DK/Misreported	33%	35%	37%	9%	29%



# Ease and Rewards are Most Important

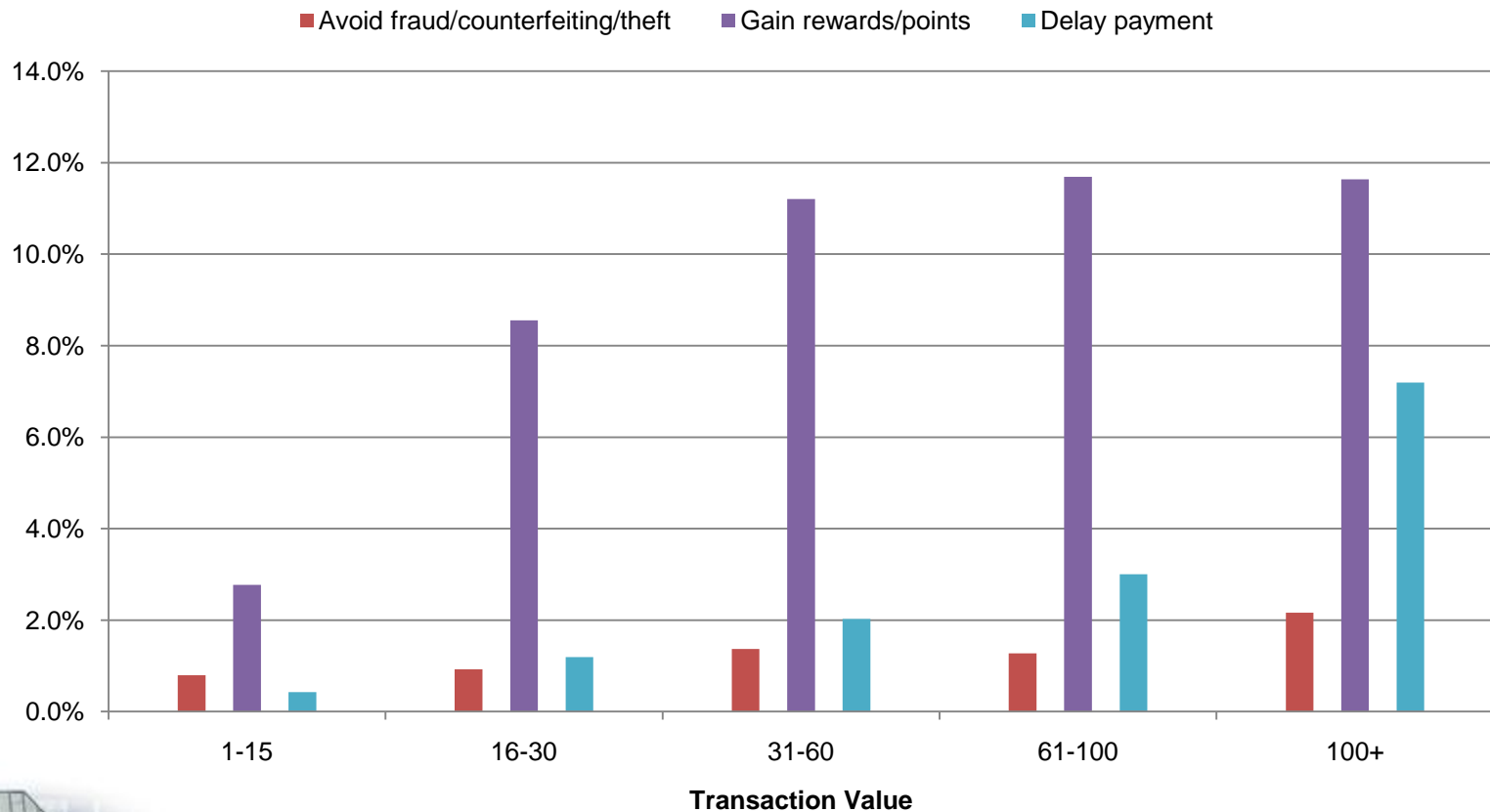
## Most Important Reason For Choosing Main Payment Method

	TOTAL (Any Payment Method)	Cash	Credit Card/Charg e Card	Debit Card/Interac	Personal Cheque	Store value card
Easy to use/fast	88%	96%	60%	93%	77%	86%
Gain rewards/points	7%	0%	29%	2%	3%	8%
Avoid fees	2%	3%	1%	1%	4%	4%
Avoid fraud/counterfeiting/theft	2%	0%	7%	0%	7%	0%
Delay payment	1%	1%	1%	1%	9%	0%
Get Cashback	1%	0%	1%	2%	0%	2%



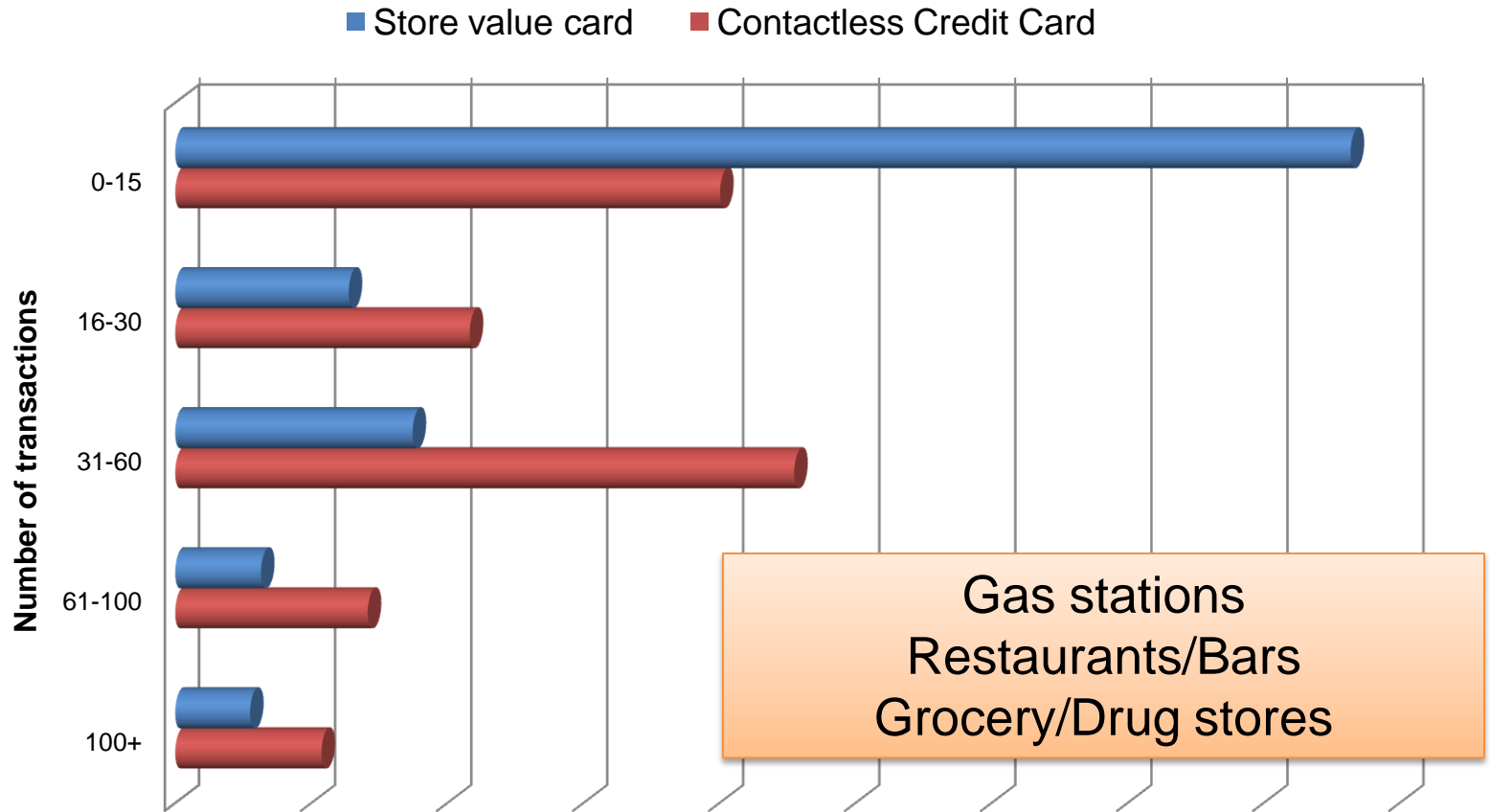
# Incentives and Risks Vary by Transaction Types

## Main Reasons to Choose a Payment Instrument by Transaction Size





# Innovations where Cash is King





## Lessons Learned

- Diaries are an effective way to collect data on payment instrument choices
- Surveys based on access panels are reasonably representative and inexpensive
- Online recording has advantages but paper-based instruments required for the “not connected”
- A simpler diary may suffice:
  - Only ask the main reason why people use a MOP
  - A simpler question on MOP acceptance is advisable





## Next Steps

- Report with survey results
- Models of payment instrument choices
- Models of money demand with multiple payment instruments



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Thank you

