



The Continued Necessity of Checks
Habits of the Check-Buying U.S. Consumer

OVERVIEW

In everyday life, there are a number of items that we can describe as “requisites” — traditional products and services that we would have trouble doing without despite technological advancements that could ultimately lead to their retirement. For instance, while the number of electric vehicles on our roads is growing, the vast majority of us still rely on regular cars and gasoline for our everyday transportation needs. Similarly, the rise in electronic communications has had a dent on traditional mail delivery, yet there are still clear requirements to send and receive mail and packages through the U.S. Postal Service. Paper checks are yet another requisite that the U.S. consumer continues to rely on for a number of purposes — and will remain reliant upon for years to come.

All of the above examples are inevitably subject to price increases over time — the price of gas and postage stamps increases year on year, yet as consumers we cannot do without cars or mail. The purpose of this paper is to illustrate that the U.S. check buyers are unlikely to defect from checks anytime soon due to marginal increases in check pricing. Based on a survey of over 1,700 U.S. consumers conducted in July 2014, Javelin Strategy and Research determined the following:

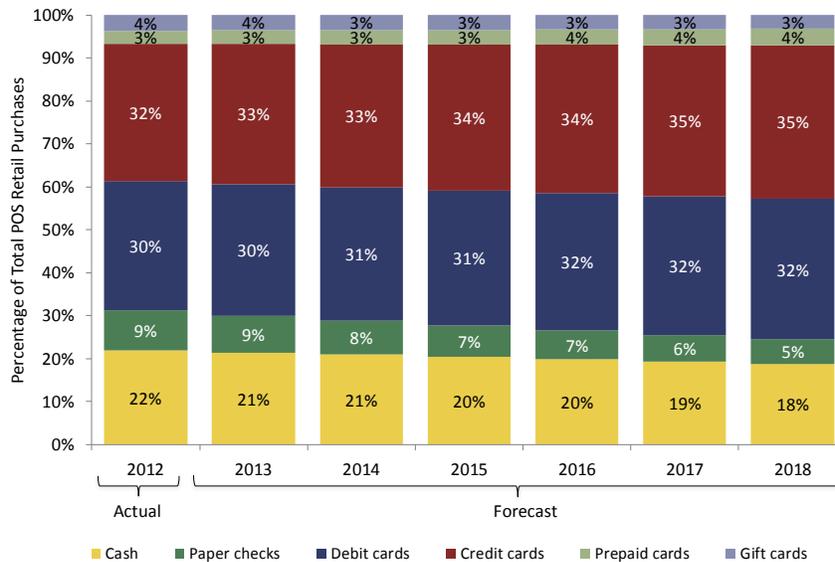
- More than half of consumers consider paper checks to be essential.
- Check buyers are relatively insensitive to small increases in check pricing (less than \$0.50 per order).
- Nearly half of check buyers continue to reorder checks, regardless of price.

In short, checks remain one of life’s requisites and rumors of their demise are, to paraphrase Mark Twain, “greatly exaggerated.”

CHECKS AREN'T GOING AWAY ANYTIME SOON

It is no secret that paper products such as cash and checks are being displaced by electronic means of transaction such as credit, debit, and prepaid cards, along with a growing number of mobile payment initiatives at the point of sale. This trend will continue — Javelin Strategy and Research forecasts that paper check usage at the retail POS will decrease from 8% of total transaction volume in 2014 to 5% in 2018. However, it is worth putting this into context. Even in 2018, with the continued push toward electronic card-based transactions, check volume will be greater than gift cards (3%) and prepaid cards (4%) at the checkout. Furthermore, despite the attention that mobile payments are garnering in the media, Javelin forecasts mobile payment volume at the POS through 2018 to be so negligible in terms of overall transaction volume that it does not even register (see Figure 1).

Figure 1: Check Volume Outnumbering Prepaid Card & Gift Card Volume to 2018



Note Mobile phone payments are not included because share is less than 0.25% through 2018.

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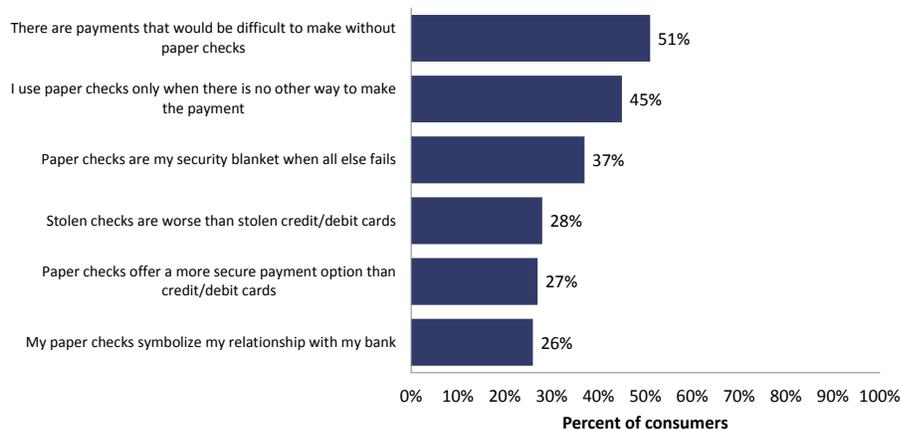
INSIDE THE MIND OF CHECK BUYERS

In July 2014, Javelin Strategy and Research surveyed more than 1,700 U.S. consumers.¹ The survey provided specific insights on the habits and behaviors of these individuals, and this section of the white paper outlines four key findings:

Finding No. 1: Checks Remain Essential

Consumers were given a number of statements relating to check usage (see Figure 2) and asked to what degree they agreed with the statements. Over half (51%) agreed that there are payments that would be difficult to make without paper checks, while 37% agreed that “paper checks are my security blanket when all else fails,” indicating a clear requirement for checks not as a necessity for certain transactions, but as a fallback mechanism when other forms of transaction are not accepted.

Figure 2: More Than Half of Consumers Consider Checks To Be Essential



Q12 Please indicate the extent to which you agree with each of the following statements: **Top 3 Box shown**

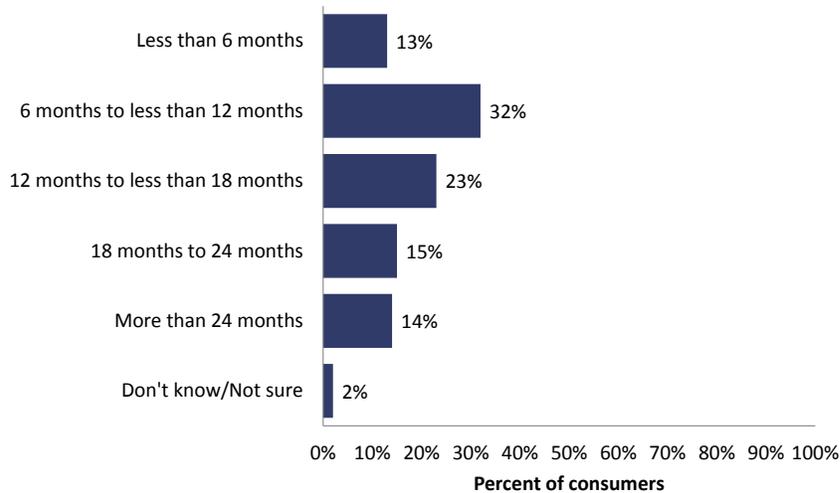
July 2014, N = 1768
 Base: All Check Users
 © 2014 Javelin Strategy & Research

¹ Full methodology is included in the Appendix.

Finding No. 2: Purchases Made With Checks Are Infrequent

The survey also polled consumers on how often they buy checks (see Figure 3). Over half (52%) stated that they order checks every 12 months or more, and almost one-third (32%) said that a box of checks lasted them up to a year. The survey also found that the majority (54%) purchased checks one box at a time rather than multiple boxes.

Figure 3. Almost 1 in 3 Check Buyers States That a Box of Checks Lasts Up to a Year



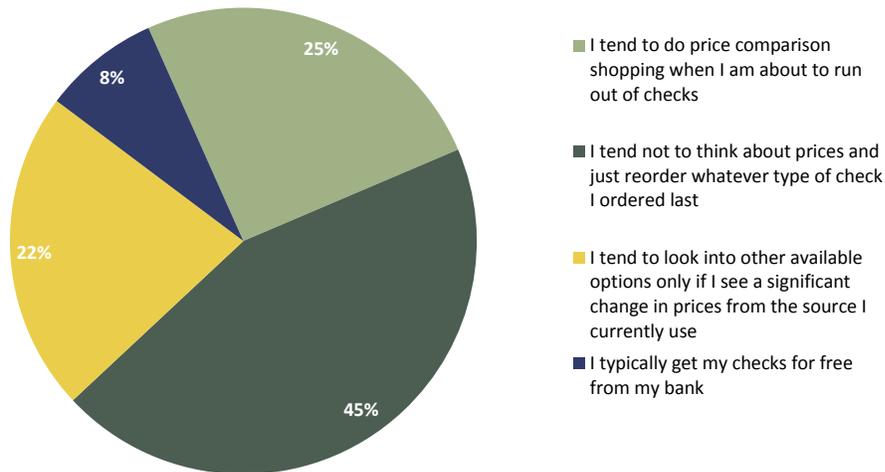
Q9 Typically, how long does a box of checks (120 checks) last for your household?

July 2014, N = 1286
 Base: All consumers who paid for checks in the past 12 months
 © 2014 Javelin Strategy & Research

Finding No. 3: Most Check Buyers Do Not Comparison-Shop When Reordering Checks

Survey participants were asked about their habits when it comes to shopping for checks (see Figure 4). While a quarter of check buyers were comparison shoppers, nearly half (45%) stated that they didn't think about prices and just reordered the same type of check they ordered the previous time. Nearly a quarter (22%) stated that they tend to look at other options only if they see a significant price increase from their current provider.

Figure 4. Check Buyers Typically Reorder Checks Without Comparison-Shopping



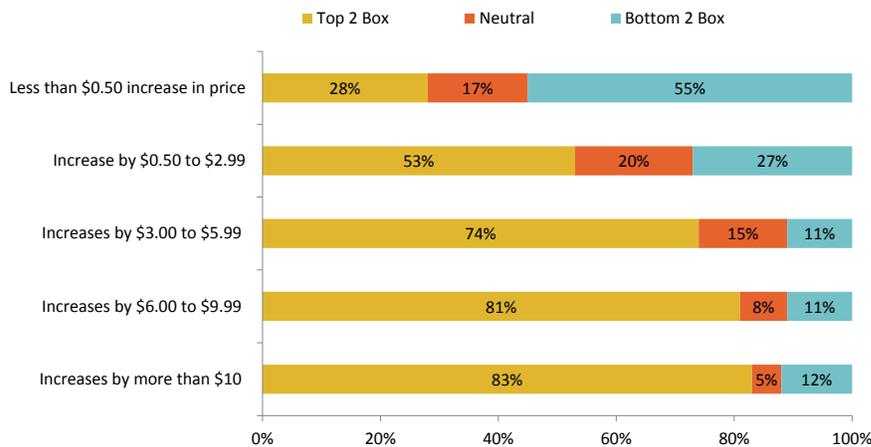
Q8A. Which of the following best describes how you approach the purchase of checks?

July 2014, N = 1286
 Base: All consumers who paid for checks
 © 2014 Javelin Strategy & Research

Finding No. 4: Check Buyers Are Indifferent to Small Price Increases

Drilling down on the previous question to determine what a “significant change” in pricing actually meant to the 22% of check buyers who expressed a likelihood to comparison-shop, these individuals were asked to rate on a 5-point scale (1 being very unlikely, 5 being very likely) how likely they would be to shop around for specific ranges of increases per check order (see Figure 5). At a less than \$0.50 price increase, more than half (55%) indicated that they were unlikely or very unlikely to shop around and 17% stated that they were neutral. However, at a price increase of \$0.50 to \$2.99, the majority (53%) indicated that they were likely or very likely to comparison-shop.

Figure 5: Check Buyers Are Unlikely to Comparison-Shop When The Price Increase Is Less Than \$0.50



Q11. You mentioned that you would explore alternative buying options if there is a significant change in price at your current source. How likely are you to shop around in each of the following situations? Please rate on a scale of 1 to 5, where 1 is not at all likely to shop around and 5 is very likely to shop around.

July 2014, N = 280
 Base: Check buyers who will shop around with significant change in price
 © 2014 Javelin Strategy & Research

CONCLUSION

Checks are an infrequent purchase for consumers and, in the overall scheme of bank charges (e.g., account maintenance fees of up to \$15 per month, out-of-network ATM fees of \$2–\$3 per transaction, and sustained overdraft fees reaching \$35+), checks arguably provide the best bang for the buck with their versatility and mass acceptance. While decreasing in popularity, checks are still a vital part of the consumer payments mix and will remain so for the foreseeable future, despite (and perhaps because of) the encroachment of electronic payments. Checks today are a solid component of POS transaction volume, outweighing even newcomers such as prepaid cards — a position not expected to change within the next five years — and their role as a fallback mechanism where electronic transactions are not accepted or welcome remains robust.

The survey by Javelin Strategy and Research indicates quite clearly that consumers still need checks and, as with other requisites such as gas and postage, will continue to pay for them as one of life's necessities, even with marginal price increases.

Summary / Analysis of Findings

The four key survey findings allow us to conclude the following about the check-buying population:

- **Consumers still see checks as an essential personal payment mechanism.** Over half stated that there are certain payments that would be difficult to make without checks. Furthermore, in the wake of high-profile card data breaches, over a quarter of consumers consider checks to be more secure than debit and credit cards.
- **Checks are ordered infrequently.** The majority of consumers don't get through more than a box of checks per year. This may present an opportunity for financial institutions to provide customers fewer checks per order to increase the frequency of reorders.
- **Check buyers are on autopilot when reordering checks.** Nearly half default to reordering whatever check package they ordered in the past, with little thought given to price.
- **The inflection point for check buyers' shopping around is \$0.50.** Twenty-two percent showed some willingness to shop around if a "significant change" in pricing occurred, but these buyers were unlikely to venture far if the check price increase was less than \$0.50. At \$0.50 and above, these purchasers showed a propensity to comparison-shop.

METHODOLOGY

A 12-minute web survey was conducted among 1,768 consumers, including 1,286 check buyers and 854 new-account openers.

Check buyers (N=1,286) included three segments for analysis:

Demographics — More than 400 consumers in each of the three subsegments who mentioned they belonged in the following age groups:

- 18- to 34-year-olds (N= 377)
- 35- to 54-year-olds (N= 502)
- Those 55 and older (N= 408)

Bank size segments — More than 250 consumers in each of the three subsegments who mentioned they were one of the following:

- Giant bank — \$750 billion + (with assets of \$750 billion and more) (N=602)
- Regional bank — \$30 billion – \$750 billion (with assets of \$30 billion to \$750 billion) (N=283)
- Community bank – \$30 billion – (with maximum assets of \$30 billion) and all credit unions (N=401)

Ordering channel — More than 300 consumers in each of the three subsegments who mentioned they ordered checks through one of the following channels:

- Offline — FI walk-in/mail/phone channels (N=556)
- Online — Bank's website or a website recommended by their banks (N=336)
- Third party — A company or website not recommended by a bank (N=363)

ABOUT JAVELIN

Javelin Strategy & Research, a division of Greenwich Associates, provides strategic insights into customer transactions, increasing sustainable profits and creating efficiencies for financial institutions, government agencies, payments companies, merchants, and other technology providers. Javelin's independent insights result from a uniquely rigorous three-dimensional research process that assesses customers, providers, and the transactions ecosystem.

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