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MacroMonitor

PRODUCTS AND SERVICES ANALYSIS VOLUME

Interim Report Transaction Products

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TRANSACTION PRODUCTS

Summary

The **2004–05 MacroMonitor** data call attention to consumers' changing preferences about how they conduct their daily financial affairs. Although the checking account remains a key focal product (nine in ten households have a checking account), the paper check is no longer this product's central feature. The balance has now shifted from check writing to electronic payments. More households are enrolling in automatic-payment services. In addition, debit cards are now in use more widely. And although market penetration of credit cards shows initial signs of decline, credit-card owners are using their cards more frequently.

Use of online financial services continues to grow, although the growth curve appears to be leveling off. Online banking is currently serving as the engine of growth, given that the current lackluster returns in the investing arena have dampened household enthusiasm for online investing. Reflecting the pronounced gaps in Internet access along demographic and economic lines, older cohorts and lower-income households are markedly behind in the use of online financial services.

As the previously published Balance Sheets section notes, the average household's transaction activity continues to increase: U.S. households overall conducted an average of 608 transactions in 2004, compared to 520 in 2002. Households that make the most transactions—the most affluent households by Socioeconomic Level, Boomers and Gen X cohorts, and the Married No Child and households with children Life Stage segments—have the most to gain by shifting their transaction and payment preferences to the media that offer the most convenience. These segments are the vanguards in the movement toward increased use of debit and credit cards and online financial services. Growth in these transaction vehicles is assured so long as financial institutions remain vigilant in ensuring the safety and security of households' transactions.

The following summarizes the **2004–05 MacroMonitor** transaction products analysis:

- *Checking accounts.* The number of checks written per checking account continues to decline. In 2004, households wrote an average of 12 checks a month per account, compared to 16 checks in 1996.
- *Stockbrokerage accounts.* The overall number of households with stockbrokerage accounts has been declining in the past four-year period, from 25 million in 2000 to 22 million in 2004. The percentage of account owners actively trading (bought or sold securities in the past 12 months) has also been decreasing, from a high of 64% in 1998 down to 58% in 2004.
- *Credit cards and other payment services.* Overall incidence of owning credit cards went down to 75% in 2004 from 80% in 2002 and 2000. But the frequency of using credit cards is increasing, from an average of 21 times in the past three months in 2000 to 26 times in 2004. Unlike ownership of credit cards, incidence of households with debit cards continues to rise, from 45% in 2000 to 57% in 2004.
- *Direct marketing.* Credit cards remain the overwhelming success story in direct marketing, with almost seven in ten households willing to obtain credit cards by phone, mail, or the

Internet. Insurance is the next most likely financial product that consumers are willing to obtain without face-to-face contact: 43% of households say that they might obtain motor-vehicle insurance, 39% might obtain homeowner's or renter's insurance, and 31% might obtain life insurance through direct means in 2004.

- *Automatic and other transactions.* Seven in ten U.S. households use automatic payroll deduction or automatic payments from an account in 2004. The proportion of households that enrolled in an automatic payment service for loans, bills, or investments is steadily increasing, from 35% in 2000 to 58% in 2004. Use of telephone bill payments jumped from 7% to 19% of total households in the same period.
- *Online financial services.* The percentage of all U.S. households using the Internet for any financial service grew by 19%, from 37% in 2002 to 44% in 2004. Among households with Internet access (83 million households representing 69% of the total household population), about six in ten now conduct some banking online, up by 23% from 2002. The incidence for online investing—36%—remained unchanged from 2002.