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## Cards keep gaining ground, but cash and checks are still king

By [Laura Bruce](#) • Bankrate.com

The 1,700 teenagers who attend Lake Park High School outside Chicago can use cash or a debit card to pay for lunch.

The debit card system is only three weeks old, but already more than 25 percent of the students have chosen it.

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"I keep getting more checks (from parents) each day as more and more students are participating," says food services manager Carolyn Palmer. "Parents put money in the account, and it can be used only for food. It's convenient because they don't have to give them money for food every morning."

We may never get to the point of being a cashless or checkless society, but credit, debit and other

forms of electronic payments are making big gains as people of all ages become more aware of, and more willing to try, alternative payment options.

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prepaid cards, according to a study by Dove Consulting for the American Bankers Association.

But tally up all payments and, according to the Federal Reserve, checks are still hugely popular with the American public. We wrote about 50 billion checks in 2000 -- compared with about 32 billion checks in 1979. The total amount of those checks was \$47.4 trillion vs. \$7.3 trillion in electronic payments.

### Why checks?

Leon Majors, of ESP Consulting, has studied the payments industry for years. He says there are two main reasons why we're writing more checks.

"There's an increase in the number of households and in communication services. Communication services have exploded over the last five years in terms of the number of bills we get. Bills for Internet, long distance, local, cell phone -- what was one bill 10 years ago is now five bills."

Most of those billions of checks we write are printed by Deluxe, a Minnesota company that's been battling rumors of its demise for years.

"They've been predicting a checkless society since the late '60s," says company spokesman Stu Alexander.

"Our take is the same as it's been for 30 years. The payment methods of the U.S. will change, but it will be evolutionary, not revolutionary. The country started on an agricultural barter system, and then went to currency, demand accounts, credit cards, debit cards, now Internet payments -- and they all still exist today. One doesn't replace another, they just become another option."

While multiple payment options are co-existing, some are taking market share from others. Experts say that over time we'll see online bill payment replacing a greater share of checks.

The TowerGroup predicts that electronic bill presentment and payment, which equaled less than 1 percent of total bill volume in 2001, will grow to 10 percent by 2005.

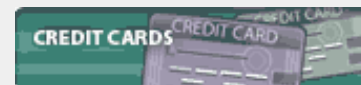
Debit card transactions at the cash register are reducing the use of checks and cash.

Beth Robertson, senior analyst at TowerGroup, says debit cards have become mainstream.

"More providers are offering debit cards as a tool to their customers, where electronic bill presentment and payment is a little more behind the curve."

Majors believes supermarkets, convenience stores and gas stations have been the main drivers in the growing use of debit cards.

That, in turn, has spurred the use of cards for smaller transaction amounts. People now



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use cards to buy fast food and movie tickets.

## **No requiem for cash and checks**

Despite these gains, Majors says there is no big effort by the industry to wipe out cash or checks.

"There are large segments of consumers who won't give up cash or checks. You have to wait for them to die or price them out of it. If the industry wanted to move that way, they'd make debit transactions free, which they're not, and we're still in a cycle where we have free checking. They could also decrease the allowable float time for checks, but they're not doing that either."

For First Data, a global giant specializing in electronic commerce and payment services, the change to less cash and checks and more electronic payments can't happen fast enough.

Henry Tsuei, vice president of new product development, says convenience will be a major factor in pushing consumers to use electronic payment options. Slowly, but surely, there's a sea change taking place that many consumers are hardly aware of but will grow to accept.

For instance, govOne Solutions, a First Data affiliate, is, among other things, assisting federal, state and local governments with electronic payments.

"They're helping New York City process parking tickets online," says Tsuei. "Instead of mailing your ticket or going to a government agency and paying it, you can go online and pay your parking ticket."

Tsuei says we can expect to see more uses for key fobs, such as Mobil's Speed Pass, and transponders -- the garage opener-size devices some states use to move motorists through tollbooths faster.

Electronic check acceptance -- or check truncation -- is something Tsuei believes we'll be seeing a lot of in the next few years. Give a check to the cashier, it gets swiped and converted to an electronic payment on the spot and the check is handed back to you. Instead of a slow-moving check winding its way through the mail, the information from the check flies through the system electronically.

Some electronic forms of payment have become commonplace already. Stored-value cards, such as phone cards, are everywhere, and prepaid cards have replaced paper gift certificates at many retailers across the country.

Tsuei says there will be major advancements in mobile commerce as cell phones and PDAs are enabled for payment transactions.

"There will always be paper-based payments," Tsuei says. "I don't imagine they'd be completely displaced. You'll continue to see the introduction of new payment methods that will appeal to the consumer and give the convenience of paying anyone anytime

from any device."

Convenience is a selling point even the kids at Lake Park High School appreciate -- that's why they're using debit cards to pay for lunch.

"The students requested it," says Carolyn Palmer. "We are so crowded at the schools, and it makes the line move faster."

-- Posted: Feb. 12, 2002

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