REPORT

THE RISK OF WRITING OFF CHECKS

Lost Revenue and Failing to Deliver a Superior Customer Experience

VERICAST

Checks have been an important payment tool, dating all the way back to the 17th century when they were first introduced in the U.S. Checks, checking accounts and banking have evolved over the years, but one thing remains true: checks continue to be a relevant and accessible payment tool for consumers of all generations. They also represent an important revenue opportunity for financial institutions. Many institutions, however, don't regularly evaluate their check program or check ordering experience to ensure they are optimized to serve consumer needs and meet their expectations. As a result, customers order checks elsewhere, which means many banks and credit unions are leaving money on the table.

Consumers have a variety of payment tools at their disposal these days, including the check. Considering recent consumer, social and economic trends, we conducted a survey to better understand consumer check writing behaviors, what kind of transactions consumers write checks for and which channel(s) consumers prefer for ordering and depositing checks. We also wanted to better understand any potential effect the global pandemic may have on check writing behavior in the short and long term.

SURVEY METHODOLOGY

We surveyed consumers between August 2020 and December 2020.

We received 70,000 responses.

The results specifically reflect the subset of consumers who write checks.

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CONSUMER CHECK USAGE TRENDS AND CHECK WRITING BEHAVIORS

It's no secret that check usage has declined over the past few decades.[1] Even so, there are some categories for which checks remain a preferred method of payment. These include paying bills, rent/mortgage payments, charitable contributions, person-to-person transactions and gifts.[2]

[1] 2019 Federal Reserve Payments Study
[2] 2020 Vericast Check Writers Consumer Survey

Bills: utilities, rent	60.3%
Bills: insurance, medical, other	48.5%
Charitable / nonprofit / religious	46.3%
Bills: financial (credit card/ auto loan/ mortgage loan, tax)	41.6%
Person to person / gifts	39.3%
General retail / point of sale payment	26.7%
Residential services	26.2%
Education: school, sports activities, other	10.5%
Childcare	1.5%

2020 Vericast Check Writers Consumer Survey

Who's writing these checks? **The short answer is: everyone.**

The more nuanced answer is that older generations do indeed write more checks than younger generations. However, Gen Z and Millennials also have at least some need for checks.

GEN Z (Born 1997-2012):	<1%
MILLENNIALS (Born 1977-1996):	6.8%
GEN X (Born 1967-1976):	10.5%
BABY BOOMERS (Born 1947-1966):	**61%**
SILENT (Born 1946 or before):	21%

2020 Vericast Check Writers Consumer Survey

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Although check usage is trending downward, the decline has slowed significantly, and even plateaued as of late. While only 21.1 percent of those surveyed write more than 10 checks each month (more than 120 annually), more than 90 percent of respondents write at least two checks per month. This is consistent with the *2019 Survey of Consumer Payment Choice* findings that consumers make an average of three check payments per month.[3] Perhaps the most revealing finding in our survey is 38.7 percent of respondents write an average of 42 checks per year (2-5 checks per month).[4]

CHECKS WRITTEN PER MONTH		CHECKS WRITTEN PER YEAR
1 or less	8.3%	~12
2-5	38.7%	~42
6-10	31.9%	~96
Over 10	21.1%	~120+

[3] Federal Reserve Bank of Atlanta, 2019 Survey of Consumer Payment Choice
[4] 2020 Vericast Check Writers Consumer Survey
[5] Ibid
[6] Federal Reserve Bank of Atlanta, 2019
[7] 2018 Survey of Consumer Payment Choice (SCPC)
[8] The 2019 Federal Reserve Payments Study
[9] The Financial Brand, "Does Being a 'Primary Financial Institution' Mean What It Used To?," December 2,2020
[10] CE Solutions check industry research

The current plateau of check writing decline is likely to hold steady, at least for the next five years, as most consumers (83.4 percent) do not expect their check writing behavior to change during this time.[5] According to the Federal Reserve Bank of Atlanta, 90 percent of consumers have a checking account, compared with 75 percent for credit cards,[6] and 82 percent for debit cards,[7] making checks one of the most accessible payment tools available.

With more than 14 billion checks still being written annually, it's clear the check as a payment tool remains relevant and is not going away anytime soon.[8] Not only do consumers use checks, but the checking account is also the leading indicator of primary institution status for many. **Fifty-four percent of consumers use the checking relationship to identify their primary provider.[9]** In addition, check writers also tend to carry higher account balances, which underscores the importance of delivering the level of service and experience this critical account base desires.[10] Financial institutions should ensure customers of every generation can easily order, deposit and cash checks.

[14.5 BILLION CHECKS ARE WRITTEN EACH YEAR — THAT'S **NEARLY 40 MILLION CHECKS PER DAY**]

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CONSUMER CHECK ORDERING AND DEPOSITING CHANNEL PREFERENCES

Checks tend to be a product which consumers prefer to "stock up" on rather than purchase frequently. Nearly half of check writers prefer to order 80 checks at one time, enough to last several months.[11] This corresponds with what respondents shared about their monthly check usage.

[11] 2020 Vericast Check Writers Consumer Survey

PREFERRED CHECK ORDER QUANTITY

WHAT MATTERS MOST WHEN ORDERING CHECKS

Price	Easy ordering	Free delivery	Security features
38.5%	26.1%	12.5%	11.6%

2020 Vericast Check Writers Consumer Survey

Not surprisingly, price is the primary factor in consumer check ordering decisions (38.5 percent). The ordering process, however, comes in second on the list. Today's consumers have high expectations when it comes to ease and convenience of ordering. Amazon® has set the standard for personalized online ordering, easy checkout and no shipping costs. This "Amazon Effect" means financial institutions are not immune to these expectations, which begin by ensuring an efficient online ordering experience.

PREFFERRED CHECK ORDERING METHOD

79.7%	7.7%	6.9%	4.0%	0.1%
Online Banking /Website (Desktop)	Mobile Banking	At the Branch	Customer Service	ATM

2020 Harland Clarke Check Writers Consumer Survey

The vast majority of respondents don't expect to go to the branch to order checks or to order by phone. Instead, they want to be able to order checks via online banking.[12] Nearly 80 percent of respondents prefer to order checks online, so an "easy and fast order process" could be a differentiator for financial institutions.[13] If consumer expectations are not met, and the process is complicated or inconvenient, they are likely to abandon the order and go elsewhere to purchase checks. Financial institutions that deliver an outstanding online experience are better positioned to capture the check order and retain the customer's business.

[12] 2020 Harland Clarke Check Writers Consumer Survey
[13] Ibid

Consumers are looking for checks. In fact, **"order checks" is one of the most searched terms on banking sites."**[14] Too many financial institutions make it hard for consumers to find where to go to order checks on their online banking site or mobile banking. Consider if you're providing the same experience for customers who are looking for checks that you do for those who are looking for a loan, for example. Conduct the same evaluation of your account opening process to ensure you're making it easy for customers to order checks and seizing the opportunity to capture the first check order and future check (re)orders.

[14] BAI, "The top 20 terms consumers use on banking websites," June 2019

As an exercise...

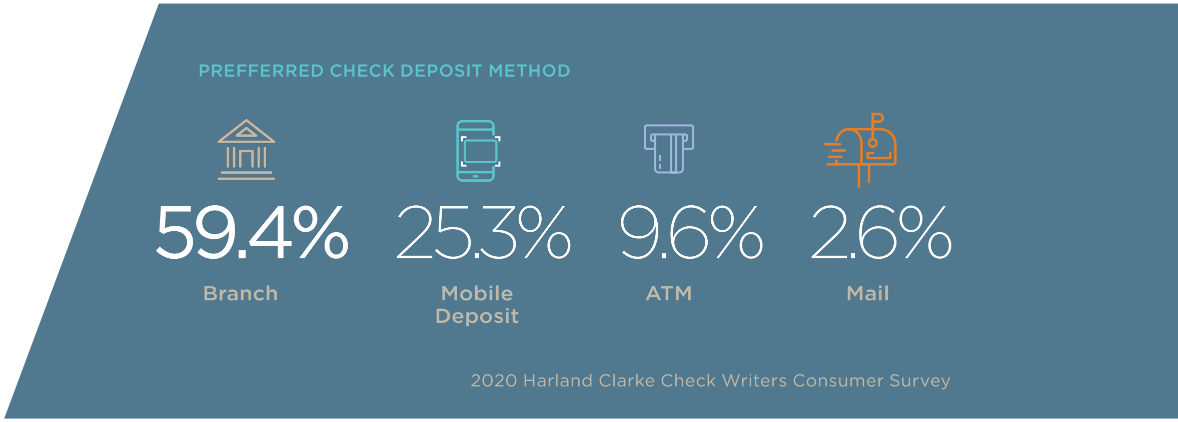
Financial institutions should evaluate their website and app from the view of the customer to see how easy or difficult it is to order checks.

> **CAN CUSTOMERS EASILY FIND WHERE TO ORDER CHECKS ONLINE?**

> **HOW MANY CLICKS DOES IT TAKE TO GET THERE?**

> **WHAT POTENTIAL FRICTION EXISTS IN THE PROCESS?**

The findings are a bit different when it comes to depositing checks. Although it's true the vast majority of respondents across generations prefer to order checks online, more than half still prefer to go to the branch to deposit checks.[15] **This presents a tremendous opportunity for financial institutions to use these branch visits to educate their customers on their mobile banking features, particularly remote deposit capture (RDC).[16]** While the pandemic helped push RDC adoption along — 25.3 percent of check writers prefer it — it clearly has potential for further growth.



These results tell us the branch is not going away. Even during pandemic restrictions, branch traffic decreased only three percent from 2019 to 2020.[17] However, branch interactions should be less transactional and more focused on building customer relationships and delivering an outstanding experience while doing so.

Consumer expectations necessitate a seamless check ordering experience. This means financial institutions should optimize check ordering across all channels and devices. Making check ordering seamless means ensuring in-branch and online account opening processes include the ability to order checks, without disrupting the account opening and onboarding journey.

[15] 2020 Vericast Check Writers Consumer Survey
[16] Ibid
[17] Tedder, Krista, "Impact Note: Payments Keep Branch Banking Alive," Javelin Strategy & Research, January 2021

03 /

FUTURE CONSUMER CHECK USAGE AND THE PANDEMIC IMPACT

PANDEMIC EFFECTS ON CHECK USAGE

Writing More	7.7%
Writing Less	7.8%
Writing Same	84.6%

CHECK USAGE CHANGES IN NEXT 1-5 YEARS

Change	16.6%
No Change	83.4%

Mark Twain is quoted as saying, “Reports of my death are greatly exaggerated.” The same could be said for checks. While there has been an overall drop in check usage over the years, many check users are still writing the same number of checks they were writing before the pandemic.[18]

Even during the pandemic, checks remained one of the most stable payment vehicles of 2020, according to a survey by Javelin Strategy & Research.[19] And that’s not predicted to change in the foreseeable future. **Nearly 84 percent of check writers expect they will continue writing the same number of checks for at least the next five years,** reflecting a plateau in check usage.[20]

[18] 2020 Vericast Check Writers Consumer Survey

[19] Javelin Strategy & Research, “Impact Note: Payments Keep Branch Banking Alive – Payments Practice,” January 2021

[20] 2020 Vericast Check Writers Consumer Survey

CHECK USAGE REMAINED CONSISTENT DURING THE PANDEMIC

	2019	2020
CREDIT CARD	71%	76%
DEBIT CARD	56%	49%
CASH	77%	63%
CHECKS	**45%**	**40%**

JAVELIN STRATEGY & RESEARCH 2021

Current and predicted check usage patterns mean financial institutions should not write off checks just yet. While consumers continue to adopt new payment channels and methods, many will still reach for a check for certain transactions. As a result, checks will continue to present an important revenue opportunity for financial institutions.

This means financial institutions should optimize their check program by doing more than simply offering checks to customers. Improving the ordering experience for check writers and increasing first check order capture are some of the ways to increase check program profitability.

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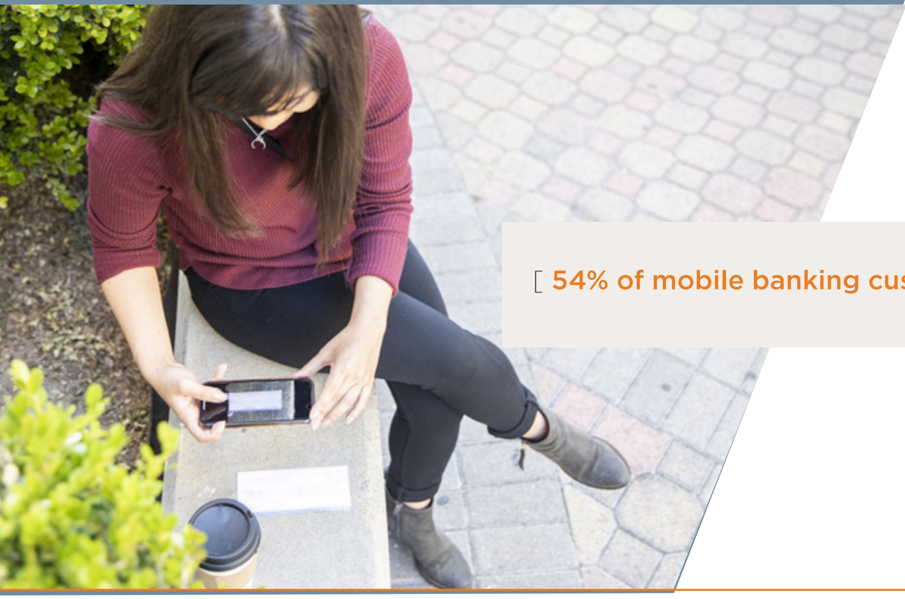
THE POTENTIAL OF **MOBILE DEPOSIT ADOPTION**

Nearly 60 percent of check writers prefer to deposit checks at the branch.[21] In fact, checks are a key driver of branch visits for both check depositing and check cashing.[22]

Thanks to remote deposit capture (RDC) and other advances in technology, depositing checks has never been easier, more convenient or more secure than it is today. This shift has boosted the viability and profitability of checks, something financial institutions should take advantage of by educating customers and optimizing the RDC experience.

While it's true that RDC adoption has been slower than expected, its up to financial institutions to seize opportunities to show customers how to use the technology and reassure them of its security. This includes considering incentives to help them appreciate how easy it is and giving them peace of mind by highlighting mobile deposit security features their mobile app and checks have to offer.



[**54% of mobile banking customers** used their mobile banking app's check deposit capability in 2020.[23]]

[21] 2020 Vericast Check Writers Consumer Survey

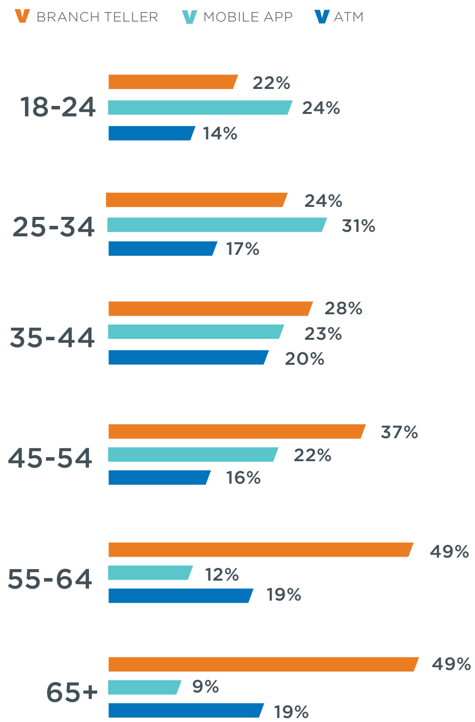
[22] Javelin Strategy & Research, "Impact Note: Payments Keep Branch Banking Alive – Payments Practice," January 2021

[23] Cornerstone Advisors, "2020 Mobile Deposit Benchmark Report, Fourth Annual"

COVID-19-related branch closures and activity drove an increase in mobile check deposit awareness and usage. In fact, new mobile banking registrations increased 200 percent right after the pandemic started.[24]

PREFERRED METHOD OF DEPOSITING CHECKS **BY AGE**

Javelin Strategy & Research 2021



While in-person (branch) banking tops the list of preferred methods to deposit checks across ages,[25] mobile (app) deposit is not entirely foreign to respondents, especially younger generations.

MANY CONSUMERS ALREADY RELY ON **MOBILE BANKING APPS** TO DEPOSIT CHECKS, SO IT'S TOP OF MIND:

> 85% increase in mobile banking traffic[26]

> 54% used mobile check deposit in the past year[27]

> 52% said mobile check deposit was one of the most important mobile banking features[28]

Financial institutions have a prime opportunity to further encourage mobile deposit capture as they promote mobile banking as an alternative to branch visits. According to a recent study by Javelin Strategy & Research, "the primary hurdle facing financial institutions is consumer adoption, which can largely be overcome through education, awareness, and communication."[29]

[24] Sheng, Ellen, "Coronavirus crisis mobile banking surge is a shift that's likely to stick," CNBC Tech Trends, May 27, 2020

[25] Javelin Strategy & Research, "Impact Note: Payments Keep Branch Banking Alive – Payments Practice," January 2021

[26] Koetsier, John, "Banking On Mobile Up 35-85% Thanks To Coronavirus (After 1 Trillion App Opens In 2019)," Forbes, April 15, 2020

[27] Cornerstone Advisors, 2020 Mobile Deposit Benchmark Report, Fourth Annual

[28] Ibid

[29] Javelin Strategy & Research, "Impact Note: Payments Keep Branch Banking Alive – Payments Practice," January 2021

Increase Check Order Capture

It's clear from the research findings that many consumers still use and need checks. The financial institution where their checking account is held is the most logical source for purchasing checks, but many banks and credit unions fail to adequately meet this consumer need. **Financial institutions should start by comparing their check sales as a percentage of their checking accounts.** If the examination reveals check orders from less than 70 percent of new or existing checking account customers, it represents a missed opportunity to capture more check orders and revenue.

Optimize The Ordering Experience

Consumers expect to be able to order checks online or through a mobile banking app. And they expect it to be easy. Financial institutions should ensure these tools are intuitive, easy to find, and that customers can conveniently order checks through those channels. **Start by looking at your website and mobile app from the customer's perspective.** How quickly can you place a check order? The good news is small changes here can make a big difference.

Rethink Branch Visits

The branch experience is evolving from transactional to relational. Financial institutions should be sure to take advantage of the few in-person interactions they get to encourage adoption of self-services tools and cross-sell products. **Remind your branch staff that many customers still need checks.** As a result, they should ensure they are serving those customers appropriately by proactively encouraging them to purchase checks through their financial institution.

Prioritize Checks During Account Opening

While many institutions are mindful to set up new customers with online bill pay, direct deposit and other services during in-branch account opening, they don't always make the same effort for customers who open their account online. And they fail to make capturing check orders a priority, despite the demonstrated consumer need for them and the revenue opportunity they represent. **Financial institutions should maximize opportunities to increase initial check order capture across channels by making it a clearly defined part of the process.**

Consider The Near Future State of Check Writing

Check decline has plateaued. Consumers expect to continue writing the same number of checks they currently do, at least for the foreseeable future. Check writers are a substantial and profitable customer segment. **Financial institutions must be intentional about serving check writers** to avoid the risk of losing them to the competition and the loss of revenue as their customers order checks elsewhere.

Increase Mobile Deposit Adoption

The global pandemic helped magnify the significance of mobile deposit adoption. **It is imperative financial institutions maintain a strong focus on engagement and education around remote deposit capture (RDC).** This begins by first ensuring the institution's RDC function in the mobile banking app is reliable and easy to use. Banks and credit unions should also be intentional about making sure customers know how to use RDC and promote its benefits, including security, convenience and simplicity. Branch staff can offer to help customers set up their mobile banking app and demonstrate how to use these self-serve functions.

FINAL THOUGHTS

Many financial institutions and their branch staff are under the assumption that checks are "dead" or near obsolete. Our study on check writer behaviors and recent industry trends reveal that this is not the case. The check is a mainstay on which consumers of all generations have come to rely.

[**THE DATA IS CLEAR:** PEOPLE STILL ORDER AND WRITE CHECKS, AND THIS WILL REMAIN THE CASE FOR THE NEXT SEVERAL YEARS.]

Financial institutions that fail to appreciate the role of checks for their customers and institution do so at the risk of missing out on revenue and the potential to deliver a positive customer experience. If banks and credit unions are to retain the check business of these valued and valuable customers, they must ensure the check ordering experience delivers on consumer expectations. This requires taking a deeper look at their check program for a number of factors, including who orders checks, how orders are placed, and for any points of friction in the ordering process, including at account opening. It also means maximizing the in-branch experience, to focus less on transactions, and more on relationship-building and cross-selling. Even as financial institutions and consumers transition into post-COVID norms, checks will continue to be an important part of the customer experience.

[ABOUT VERICAST]

OUR HISTORY IS DEEPLY ROOTED IN OUR CHECK PROGRAM OFFERING WHICH HAS EVOLVED OVER 147 YEARS, INCLUDING ADAPTING TO BEST SERVE THE UNIQUE NEEDS OF FINANCIAL INSTITUTIONS AND TODAY'S DIGITAL-FIRST CONSUMERS.

WE HAVE REFINED OUR APPROACH TO FURTHER INCREASE THE PROFITABILITY OF CHECK PROGRAMS. AT THE CENTER OF THIS IS A SEAMLESS, DIGITAL-FIRST CUSTOMER AND BRANCH ORDERING EXPERIENCE. WITH A SIMPLIFIED AND MOBILE-OPTIMIZED PROGRAM, FINANCIAL INSTITUTIONS CAN IMPROVE OPERATIONAL EFFICIENCY AND INCREASE CHECK ORDER CAPTURE ACROSS CHANNELS WHILE DELIVERING A POSITIVE CUSTOMER EXPERIENCE.

Discover how to deliver a check program that meets the needs of today's consumer and drives revenue for your institution.

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