

Over the past decade, consumers have moved away from paper forms of payment — checks and cash — to payment cards and other electronic methods. Acknowledging this shift in consumers' behavior, the Philadelphia Fed established the Payment Cards Center to serve as a source of expertise on this important segment of the financial system. The Center's director, Peter Burns, elaborated on the Center's mission and achievements to date.

Although cash and checks remain popular methods of payment, consumers are turning more frequently to electronic methods, such as credit cards, debit cards, smart cards, stored-value cards, and other emerging payment technologies. In fact,

since 1979, consumer electronic payments have grown from approximately 5 billion transactions a year to about 30 billion. The pace of change is further accelerating as consumers become increasingly comfortable with these new payment mechanisms.

USING NEW PAYMENT METHODS

After cash and checks, credit cards are probably the most familiar method of payment and the payment vehicle of choice for many consumers. Right now, about 80 percent of Americans use credit cards, and most carry several different cards in their wallets. At the same time, use of debit cards, which are directly linked to consumers' bank accounts, is growing even faster than credit

CHANGING TIMES mean new

Paper to Electronic Payments

Migration from paper to electronic payments will drive investments in product development, operations, technology, marketing, and business infrastructure.

cards. Simultaneously, banks, retailers, and other businesses are experimenting with various other electronic payment vehicles that add convenience and efficiency to the retail payments arena.

HIGHLIGHTS IN 2002

To carry out its mandate to monitor trends in the industry and provide insights into this evolving field, the Payment Cards Center has launched a variety of projects over the past two years.

In 2002, we held a series



Jeanne M. Hogarth (left), program manager, and Marianne A. Hilgert, research assistant, Consumer Policies Section, Board of Governors of the Federal Reserve System, participated in the Payment Cards Center's workshop "Voting with Your Feet: Consumers' Problems with Credit Cards and Exit Behaviors."

ways of making payments

of workshops featuring industry experts on a wide range of topics, including the role of credit reporting agencies, financial privacy, and credit risk management practices. We also co-sponsored three major conferences: one with the Bank's Research Department, one with the Wharton Financial Institutions Center, and one with the Electronic Funds Transfer Association's E-Commerce Payments Council. These conferences brought together representatives from the academic, industry, and policy communities to debate critical issues in consumer payments.

Discussion papers, which offer business analyses of issues related to payment cards, constitute another aspect of our work. These papers, which are available in hard copy, are also posted on the

Center's web site, allowing even wider distribution. Furthermore, the Center is committed to supporting academic research on payment-card topics and works with the Bank's Research Department in fulfilling this part of its mission. In addition, the Center's visiting scholars program brings academic researchers to the Bank, usually for one or two academic semesters, so they can pursue their research interests.

This past year, we expanded our programs and honed our expertise. Now it's time to look ahead. In the coming year, we will work to further engage industry practitioners and academic and consumer representatives in our activities and design programs that effectively address their concerns. ■