

Exploring cheque use in New Zealand

September 2017

Commissioned by the Westpac NZ Government Innovation Fund
Project sponsor: IR

Working Group:

Dave Gillespie, IR

Russell Syme, Westpac

Shane Spencer, IR

Samantha Latham, IR

Mondy Jera, ThinkPlace

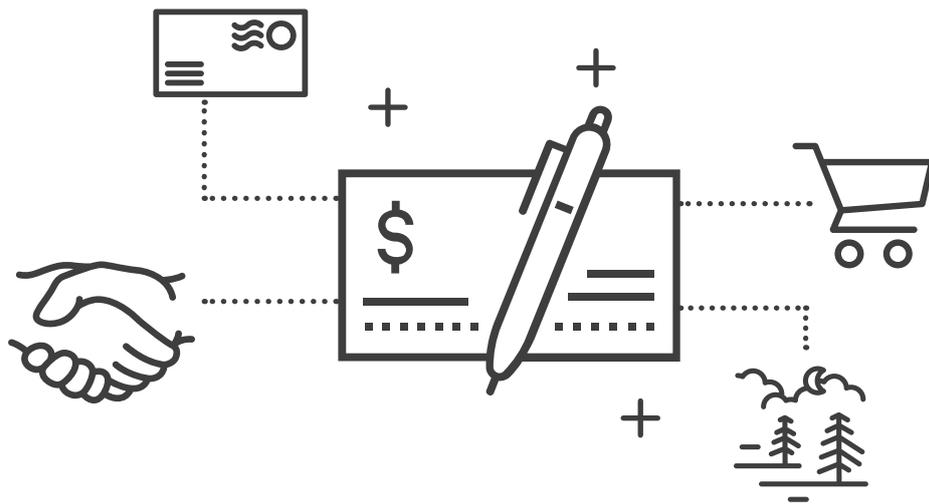
Tarapuhi Bryers-Brown, ThinkPlace

Jim Scully, ThinkPlace

Visual Designer: Jess Lunnon, ThinkPlace

Introduction

The use of cheques as a mode of payment in New Zealand has been decreasing over time, but a number of individuals and organisations continue to use them. Although cheques are quickly disappearing from common usage there is still a persistent “tail” of cheque use that needs addressing.



The problem

As cheque use decreases the cost of processing increases. Cheque printers are being impacted by low-level demand and the technology used to process cheques in New Zealand is expiring. As a result, support of cheques in New Zealand for the diminishing “tail” of users would require investment in new cheque processing technology.

Introduction

Exploring cheque use in New Zealand

Westpac NZ Government Innovation Fund commissioned a project to explore this issue from a human-centred perspective. The aim of the project was to produce a base of actionable insights that can be used by banks, businesses and government agencies to ultimately design cheques out of the system. This project was considered a “phase one”, whereby this report is an aligned set of insights and frameworks that can be used prior to deeper concept development.

What we discovered in this project is that the innovation is in the nudge – we found that although there is worry and resistance about changing on the part of both the issuers and receivers of cheques, that people are ultimately nudge-able and will change given the opportunity. However, like most complex issues, a one-size-fits-all, ordered solution isn't likely to work; multiple, small nudges towards the goal will shift people towards cheque elimination (unless of course, someone just decides to mandate against their use and deal with any repercussions).

This exploration was also an unintentional, mini-intervention; some participants reflected on their payment habits after the interview and said they would make a change. Whilst not intended, it is also not entirely unexpected given that just a glimpse into a complex system can in fact be a disruption. It also provides confidence to designers that intentional, empathetic nudges will work towards solving the problem.

Overall, there is a good, quantitative sense of the cheque-user landscape. Westpac and IR in particular provided a robust picture of who is using cheques. But less has been explored about why people use cheques despite other payment options being available. The Innovation Fund aimed to understand the experience of cheques so that agencies and banks could

design better, client-centred products and services, and ultimately replace cheques entirely.

Westpac Innovation brought ThinkPlace, IR (the project sponsor), and the Ministry of Justice together to design a qualitative approach to understanding the social, economic, cultural and regional forces behind payment choices.

ThinkPlace conducted a targeted literature review and an ethnographic study that uncovered a range of ethical nudges and insights that might empower people and organisations to use other options. A working group from IR, Justice and ThinkPlace explored some high-level concepts and the group formed some recommendations for the Steering Group to consider.

ThinkPlace was commissioned to develop some customer insights that can be used by banks and government agencies by investigating the following:

- ❓ Why are some people still using cheques?
- ❓ What would the human impact be if cheques weren't an option?
- ❓ How can we support people to not pay by cheque?

Summary of the literature

This section provides a glimpse into how other countries are managing, or have managed, the transition to other payment modes. Cheque use is declining globally due to products and processes that replace the key functions for consumers in each market. However, there are stark differences in the rate and the type of change, and the impact on culture. The following discussion highlights the support different users needed to move to other options.

Cheque usage



General cheque use in New Zealand

PaymentsNZ’s research shows that the use of cheques in New Zealand has halved between 2013 and 2016 from a monthly total of 4.4 million cheques to 2.24 million.

Electronic payments have caused this shift. Kiwis are now completing 67 electronic payments for every cheque written; an increase of almost 400 percent since 2010. Online, facilitated bill payments continue to play a significant role in this.

Overall, a large amount of accounts in the country are issuing a small amount of cheques. The top 100 issuers were mostly organisations who make a high number of irregular payments.

Organisations are the largest acceptors of cheques, especially utilities, government and retail. Of the 100 highest cheque acceptors, 37 percent of cheques are accepted by the utilities industry, many of whom send invoices in the post and get cheques posted back to them.

Cheques are rarely the only payment channel used by individuals and therefore not many people are solely reliant on cheques. Even amongst cheque users, EFTPOS is the most common payment choice. Only

seven percent of accounts that use cheques, only use cheques, and these accounts are generally used infrequently for special payments such as savings or trusts.

Demographically, age and locality are key indicators of cheque use. The number of cheques deposited and issued increases with age. The frequency of electronic payments in rural and urban areas is the same, however, rural accounts use around 15 percent more cheques per year than urban accounts. On average rural accounts deposit 4.4 cheques per account, and urban accounts deposit 3.7 cheques per account.

This summary combines data from a wide range of publically available reports. The authors were limited to literature available in English and Dutch

Government cheque use in New Zealand

Government has a significant influence on cheque behaviour in New Zealand. Inland Revenue and Ministry of Justice process the most cheques followed by Department of Internal Affairs, then Ministry of Business, Innovation and Employment.

Inland Revenue

Seven percent of IR payments are cheques. This equates to 911,000 payments made by 150,000 customers annually.

Most cheque payments to IR come from customers who are regionally based and over 50 years old. Eighty-five percent of customers who pay by cheque are over 50, with 70 percent of these payments made by those over 65.

Ninety percent of cheque payments came from customers who had a tax agent linked to their account for the same tax type as the payment was for (although it is not clear who made the payment).

Seventy-seven percent of all cheque payments made in 2017 were made by individuals, with 50 percent of this group being self-employed.

A significant 96.5 percent of customers only use one channel to pay.

IR research has identified some key motivations for their customers' cheque behaviour. For example, cheques are often used by small suppliers; people find the emotional and tactile experience of cheques satisfying;

cheques can evoke a certain sense of critical reflection on a purchase; some use cheques to avoid making mistakes; and finally, unreliable or limited reception as a barrier to digital payment, especially where an authorisation needs to be made.

Ministry of Justice

Justice fees, such as filing fees, require payment to be attached. This incentivises cheque use – as it is the only appropriate way to 'attach' payment.

The option for sending reparations and receiving payment for jury duty by cheque is still available. Justice tells us that juror cheques are decreasing, with 59 percent of payments being made by direct credit; a reduction of 65 percent in the number of payments by cheque since 2014. Justice has also observed a significant uptake in direct credit since jury correspondence in all areas were updated to include this as an option.

International trends and insights

In the past, cheques have been the first port of call for non-cash, non-card payments in many countries. However, international changes have seen other options arise with a general trend towards electronic payments and debit cards. The rate of decline varies considerably mainly due to the maturity of other options available in each country.



Australia

Australia is noted as our most comparable in experience of cheque use and decline.

The Australian digital economy is booming and correspondingly digital payments and cards are displacing cash and cheques, partly enabled by a high number of point-of-sale (POS) devices nationwide. Both the value and volume of digital payments are increasing. Whereas cheque use is declining at an accelerating rate.

The Australian payments industry changed to digital cheque clearing in 2015. Images of cheques are now captured at branches and processing centres to be exchanged electronically, cutting the need for physical exchange and storage.

Today, cheques are often used for larger expenditures and dictated by merchant requirements. Cheque use

Even with imaging technology, cheques are still becoming more expensive and harder to use. Cheque use declined 20 percent in 2016 – the largest decrease ever recorded for the country. The rate of declining cheque use dropped by six percent after remaining flat in preceding years, including no change in 2015.

is declining across age brackets, but is still largely concentrated in older citizens.

The payments industry has put focus on a coordinated and collaborative approach to managing the decline of the cheque system by ensuring that before any decisions are made about an end date, that replacements match, or exceed, the attributes of cheques. Emerging innovative solutions are expected to further accelerate the decline by providing useful alternatives to cheques.

Of most significance is the New Payments Platform (NPP), an industry initiative that is expected to be launched later this year (2017). This initiative is developing infrastructure for data-rich, versatile and speedy payments where consumers will be able to link accounts to easy to remember information such as a phone number or email address. Users will be able to provide this PayID to people or organisations they want to receive payments from. One of the services that the NPP will enable is BPay's real-time mobile payments.

The Superannuation industry has seen a decrease in cheques due to the SuperStream reforms. These changes

aimed to improve the efficiency of superannuation transactions by making it compulsory to make contributions electronically.

Furthermore, the property settlements industry, who have historically facilitated a high amount of cheque transactions has also focused on going digital through e-Conveyancing. In early 2016, the electronic conveyancing system had processed over \$10 billion property sales.

Lastly, to ensure that consumers can effectively and confidentially transact with government online, work has also commenced on formulating approaches to manage online digital identity.



United Kingdom

After lengthy consultation, in 2009, the UK Payments Council announced that they would be closing the cheque clearings system if adequate alternatives were developed by 2018.

Reports show "voucher" payment systems were being considered which would operate like cheques without the same sort of clearing facility and processing as cheques.

Due to public backlash, especially centred around concern for the elderly and charities, the Council cancelled this target in 2011, concluding that cheques would stay for as long as customers needed them. Currently, the decline of cheques in New Zealand and Australia is much further advanced than when this issue was considered in the UK.



European Union

In 2015, 55 percent of UK businesses were still writing cheques. They are still relatively widely used today, with nearly a half a billion cheques issued in 2016. Sixty-eight percent of people over 65 still use cheques (in contrast to 88 percent of 16 to 34-year-olds who never write them). They are a popular choice in certain situations such as when the payer does not know the bank account number of the payee, or the sort code. There is also a small number of businesses (especially smaller service providers) who do not want to share their bank account details and/or to become accredited receivers of direct debits.

A legislative change then enabled the introduction of cheque imaging. The Image Clearing System will transform the system by allowing cheques to be cleared using a digital image rather than the physical paper, removing the need for cheques to be physically moved from bank to bank. This is being phased in at the beginning of October 2017. By late 2018, all the UK's banks and building societies will clear all cheques this way.

The move is being framed as a path with more choice, but "nobody has to do anything differently if they don't want to". Customers will still write cheques and physically give them to the recipient (by post, at the bank, or in person). Some banks may also enable their customers to pay using a digital image of a cheque through a secure app.

In the EU, there has been a steady decline in the use of cheques since the early 1990s, with the arrival of the Euro in 1999 speeding up that process. Today, cheques are rarely used and are no longer accepted as a payment in many EU countries.

Across the EU, policies were implemented to discourage the use of cheques, due to their considerable costs and risks. However, not all of these policies were equally successful, and the decline in cheque use was not uniform across member states

In 2012, more than eight cheque payments per capita were made, on average, in France, Cyprus, Malta, Ireland, the United Kingdom and Portugal. The highest usage occurred in France, with around 43 cheque payments per capita in 2012.

A number of reasons have been given for this climate including a standard for putting bank account details on invoices, mature debit card markets, and standalone paper credits (also called paper Giros). The paper-based Giro provided an alternative to cheques by paying through mail. Bank Giro transfers instruct a bank to directly transfer funds from one bank account to another. They provide more security than cheques when lost, and are processed more efficiently. Bank Giro Transfer, or Giro Credit are effective ways for businesses to receive payments from foreign customers, and have been digital for over a decade.



The Netherlands

The Netherlands successfully eliminated the use of cheques through an increase in the processing charges and a reduction in the supply of free cheques.

The Dutch public opinion was supportive of the move – electronic means of payments had been introduced several years previously, with the first means of electronic payments introduced into shops in 1985.

In the EU, Norway and the Netherlands showed the most rapid adoption of electronic payments, which during the nineties largely replaced cheques (and cash) as forms of payment. It can be argued that, apart from minimal fixed start-up fees, the fact that transaction prices for consumers are zero in the Netherlands was an important driver in this development. Fixed fees are sunk costs ex-post that do not vary with usage and thus have limited behavioural effects, in contrast to transaction-based prices that significantly affect consumers' payment decisions.

By 2002, banks were no longer accepting payment by cheque.

The Netherlands continue to be ahead of the curve in terms of monetary transactions. In 2016, almost 30 percent of transactions took place using mobile phones, with experts predicting cash and wallets will have completely disappeared within the next 10 years.



Sweden

Between 2010 and 2014 Sweden led the race in cheque decline with a rate of 98 percent.

Sweden is swiftly moving towards a cashless society, with businesses and social institutions such as churches adopting new ways to harness the power of mobile payment. Notably, the Swish payment service, developed by major banks, allows 24/7, real-time payments between bank accounts.

Another platform that is making waves is iZettle. Their small card reader connects to a mobile device. iZettle gained international attention when Situation Sthlm, a magazine sold by the homeless or disadvantaged in the streets of Stockholm, provided their sellers with the device, aiming to increase sales by using a trusted payment portal.



Germany

Germany introduced an image-based cheque collection procedure in 2007 which made the process cheaper and more efficient.

The introduction of the debit card and the ban in corporate cheques (2002) had massive influence with just 0.4 cheques written per capita in 2014, leaving only a small number of personal cheques being used.

Many regular payments (like bills) traditionally use direct transfers rather than cheques, and Überweisungen, or pre-printed paper credits that detail the payee's account, and the amount payable. The payer provides the Überweisungen and invoice at the bank, and the bank transfers the amount to the payee.



USA

Even though the USA has a large appetite for online retail, it is at the top end of the spectrum in terms of cheque use. Out of the 18 countries still using cheques, the USA accounted for 64 percent of total cheques issued in 2014.

Even millennials continue to issue and receive cheques in large numbers in the states; 70 percent issuing cheques at least once a month, and 14 percent issuing over 30 cheques per month.

Many business-to-business invoices still rely on cheques, possible due to the absence of real-time electronic payment systems.

In 2004, the USA implemented Check 21, a federal law that was designed to help banks handle more cheques electronically. Nearly all cheques in the USA are now cleared electronically. Many cheque payments are converted into electronic payments through the Automated Clearing House including both cheques mailed in (ARC) or presented in person (POP).

Electronic cheques are also becoming more utilised. They are marketed as an electronic version of a paper cheque, fitting seamlessly into the cheques payment system at the core of many businesses and the banking industry. They contain the same information and fit within the same legal frameworks as cheques. Payments are authorised by the issuer, for example through a confirmation click.

The decline of cheque use in the USA has especially been influenced by a long-term migration of state benefits

to other payment methods, and consumers choosing internet-based bill payment methods.



Canada

Although still comparatively high, cheque use in Canada is lower than in the USA and continues a rapid decline. Fewer cheques are being written but for increasingly higher amounts, mainly due to continued commercial cheque use. As a result, there is strong push to encourage businesses to move from cheques to direct deposit.

Cheques continue to be a large proportion of remote transactions. Many banks in Canada have enabled customers to deposit cheques remotely using a secure app.

Duplication and fraud are some of the issues that are emerging as issues particularly associated with cheque imaging.

Research from the Canadian Payments Association demonstrates a strong relationship between the decline in cheques and the use of Automated Funds Transfers (AFTs) such as electronic direct credit or direct debit transactions. ■

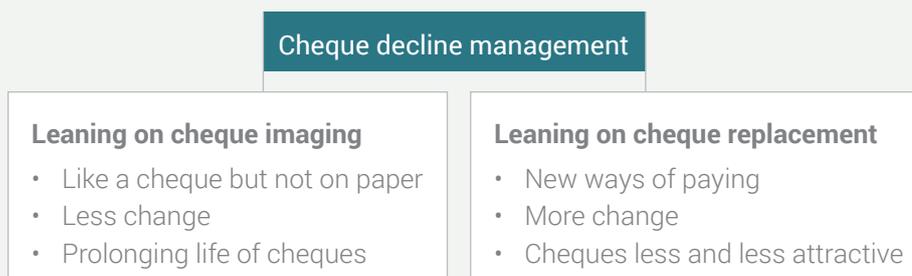
Discussion

This summary has demonstrated the range of approaches to managing the decline of cheques globally. Further research into how other countries have directly supported older and rural citizens towards non-cheque payments, and the short-term impacts on citizens would provide additional insight into these strategies.

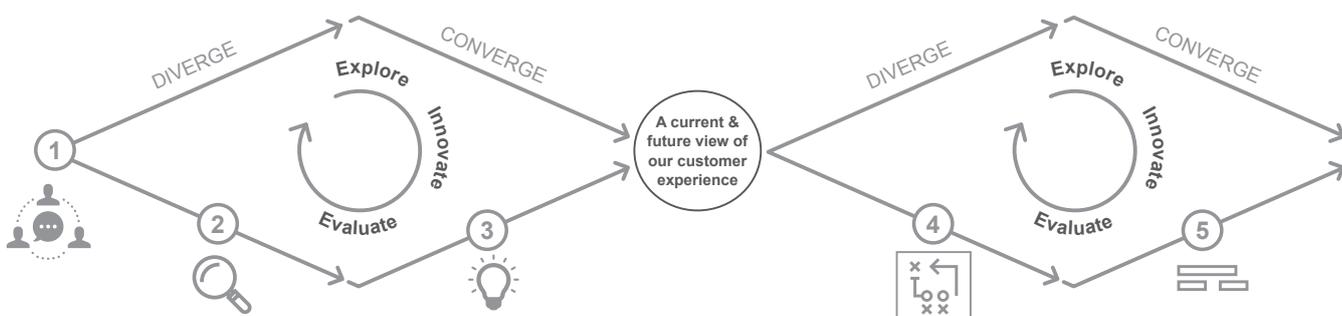
The international experience brings to light some key themes:

- Countries who have been early adopters of non-cash options are experiencing a smoother transition to eliminating cheques – New Zealand has a comparatively mature EFTPOS and debit card culture so is probably in this camp.
- Government ceasing the issuing and receiving of cheques plays a significant role in the bulk decrease of payments and cultivating a broader culture change.
- People often stick with cheques because they are the best or only option. The availability of other non-cash, non-card alternatives invites people to change. International experience shows that the key attributes requiring replacement are: real-time transfers with immediate availability 24/7, the ability to attach data and documents with payments, and to be able to make payments without knowing the recipient's account number.

Two high level approaches have emerged:



Our approach to human-centred exploration



We spoke in depth with 19 people across New Zealand to deepen our understanding of how and why people are still using cheques. We heard from a range of individuals and organisations, including those who: issue cheques, accept, and/or deposit cheques and one organisation who has recently stopped writing cheques.

Participants were initially approached for permission to participate by either Westpac, IR or Justice. The participants were chosen from the respective three databases due to their high cheque usage. A wide-range was sought in order to explore the breadth of experience.

ThinkPlace then contacted the participants to set up an interview time. We experienced some minimal attrition between the initial permission granting over the phone by the three agencies and the attempts to schedule an interview (we had three such cases, two of which from Councils).

We were unable to speak with end-users of Justice (participants were not approached by Justice). Another gap is persons with disabilities. Several organisations were contacted but none came forward to participate.

The people we talked to lived, ran businesses or worked in organisations in the following locations:



The sample was comprised of:

Tax agents and their clients	Rural and urban older persons	Sport club treasurer
Accountants	Law firms	Council
Other businesses (confidential)		

The participant was given a choice whether they wanted a face-to-face interview or would prefer a phone interview. For phone conversations, we emailed an information sheet, consent form and research kit in advance.

We conducted semi-structured interviews using a set of prompting questions and card sorts. We used two sets of cards to elicit meaningful reflection from the participants. A “payment channel” card set asked participants to pick out the payment channels they use from a wide range of examples. People were then asked to put their choices in a hierarchy of use.

The second set was used with customers who mainly used cheques for personal payments rather than business. These card sorts asked the people to discuss the payment method they use for a range of activities.

The main reason for the card sorts was just to get participants talking about how and why they pay for things – not all participants chose to put them in hierarchies and not all cards applied to all interviewees.

With permission, the interviews were audio recorded and then transcribed verbatim. Participants were offered a copy of the transcript if they wanted one. Participants who were not working for government agencies were provided with a voucher in exchange for their time.

Analysis

We captured field notes during each interview, and also captured our initial thinking on debrief templates after each interview. This aided analysis and ensured nuances from the interviews were not lost.

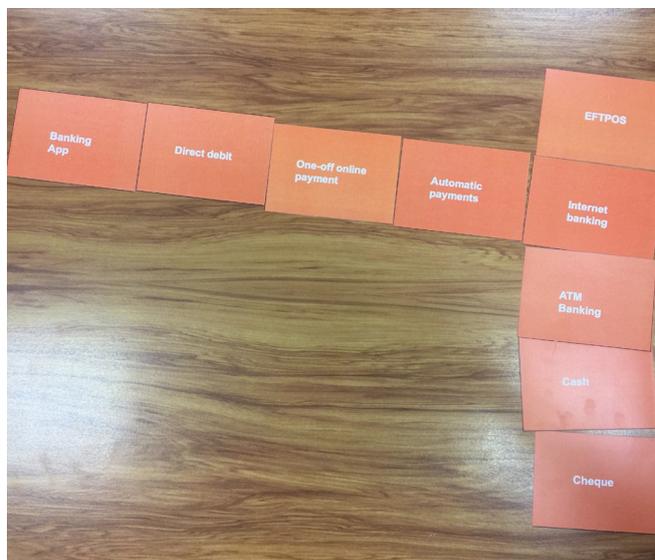
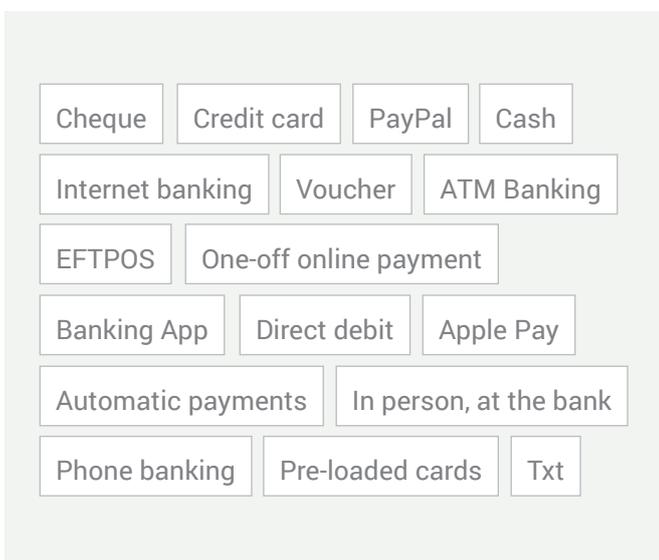
The transcripts were then read and re-read thoroughly along with the field notes and debrief capture sheets. Then a framework for capturing key insights was created. The analysis framework included: significant quotes, what would get the participant to shift payment modes, what would be good for them, and any new experiences or observations that added to our understanding.

From there, we were able to extract key patterns and salient points. The next section provides the detail of those insights.

Images

Left: List of the card sort

Right: Photo of the card sort in action



A summary of the reasons the people we spoke with are writing or receiving cheques.

- Using an outdated payment processing system (about to be upgraded)
- The difficulty (or not knowing how) to get two signatures for an online payment process
- Fees for other options pushing people to cheques
- Court fees must be paid via cheque
- Don't know how to use online payments/no digital access/not interested in digital means
- Client demand for using them/fear of reprisal to remove the option
- IR deadlines for PAYE and GST being close together – having a client's cheque in hand in advance is easier than chasing them down to make a payment. The payments being close together puts too much stress on the business to change.
- Entrenched business and/or personal processes around cheques (habit)
- Receiving a free cheque book automatically from the bank
- School fees
- Gifts
- Koha
- Perceived as a possible tax workaround
- Fear of giving bank details for online payments
- Lack of trust that provisional tax will be paid properly without the paper trail which shows all the correct reference numbers, etc.
- Paying staff bonuses
- Paying people who won't accept online payments necessitates cheque writing
- When it's difficult or impossible to find customer bank accounts for payments
- No seamless option for online IR batch payments
- They like having a paper record of when what, why, and who they paid
- Because it's an easy option

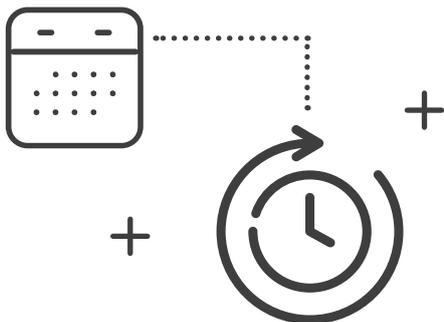
The following key insights were derived from analysis of the conversations. We extracted the central themes and the salient points.

Insight

The magical window of 10-15 years in the future when it will be easier for people to stop writing cheques.

For those resistant to, or concerned about, the stopping of cheques, they offered up the idea that 10 or 15 years into the future would be a better time to eliminate cheques. These commenters were concerned about the “older generation” not being able to transition to online or other payment channels and an assumption was made that either they would be retired from their current professional posts or gone altogether (deceased).

The idea that the older generation wouldn't cope with losing cheques was a strong assumption throughout the conversations, and thus the assumption that delaying cheque elimination would avoid the pain of transition seemed a logical solution to them.



In 10 years' time, I think we'd be in a better position because the new generation will have taken over all the businesses and stuff, and they're much more prepared, sort of, to take that on...

Participant WI-01



Interviewer: What makes you say that, waiting 15 years?

Because you know everybody like me will be gone, and there'll be, everybody new will be used to it, or will accept it.

Participant WI-13

HIGH-LEVEL OPPORTUNITY AREA

“Phase out” plans that promote the message of a supported transition that leaves no one behind.

Key insights

Exploring cheque use in New Zealand

Insight

There is still fear that providing a bank account number is unsafe for both direct debits and credits.

For debits, we heard about this lack of trust directly from citizens, but also from organisations who hear this from their client base as a reason that they use cheques (or other forms of payment that don't involve providing bank details).

Paradoxically, some clients of tax agents felt comfortable leaving signed cheques and various other personal details, but not their bank account. There is something specifically about the ability to remove money from one's account that seems to be the barrier, as opposed to just having personal details in general.

Even more confounding, people pay particular bills via cheque or counter payments, and others via direct debit. When questioned, they were sometimes unsure about their own habits around who and why they trust to pay via direct debit. It wasn't always about predictable amounts being paid, but that was part of the story (a quarterly, stable insurance payment versus fluctuating power bills, for example).



... but I don't know from a client's perspective whether there is a perception that they don't feel comfortable with IRD just taking money from my account. Sometimes people are a bit funny with that concept.

Participant WI-06



I know it sounds probably a little bit funny but, it's just the way I think, and so yeah that's what I do, but that's the only direct debit I've got is my household insurance.

Participant WI-11



On the other side, organisations who need to pay people don't often have bank account details so they resort to writing cheques. Anecdotally, this is because people are afraid to provide their bank account numbers rather than a preference for a cheque. For some organisations we spoke to, hunting down those account numbers and putting them into their online systems was just more burdensome than cheque writing.

Some organisations told us there are vendors who still won't accept direct credit or have trouble with their internal accounting systems with direct credits so they're forced to pay by cheque.



I would have to give them [accountants] my bank details basically and for me that would be a bridge too far in terms of trust goes. I can sign a cheque so unless someone forges my signature and stuff.

Participant WI-09

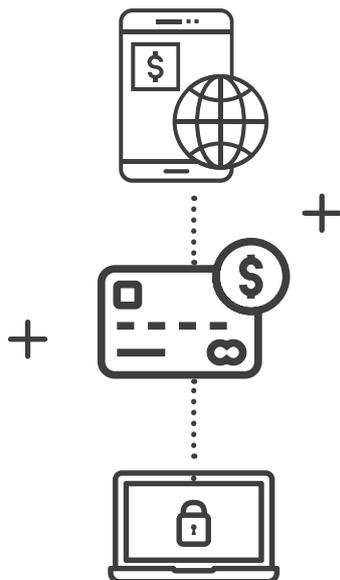


...yeah they're [cheques] probably open to fraud just like anything else, same with direct credit, someone could send you a new bank account that's not technically the company's bank account...

Participant WI-14

HIGH-LEVEL OPPORTUNITY AREA

Strengthen messages to consumers and businesses about the safety of direct debits and credits. Publish a comparison of cheques versus direct debits/credits and their relative safety and accuracy.



Key insights

Exploring cheque use in New Zealand

Insight

People hates fees

It seems that if people can avoid paying fees, they will. On principle, some will go out of their way to avoid paying even a small fee. While we did not focus on fees per se, we heard how people felt about them and what they do to avoid them.

Here's a conversation about potential fees with a participant who writes cheques out to cash at the bank:



Interviewer: If the bank charged you at the time to cash a cheque, what would you do?

“Yeah I'd still use cash, but I'd just see you know what's a cheaper way of getting it out.”

Interviewer: Okay so you might shift if it was like all of a sudden, a big fee or something, you might start using an ATM instead?

“No, I'd look for another bank first who wouldn't charge, they're all down here on Lambton Quay, I would look for another bank...”

Participant WI-13

The stories we heard about fee avoidance weren't necessarily “rational” choices. The participant quoted above pays a flat \$5 monthly bank fee for use of cheques, and she writes very few cheques, so in fact, the 25-cent fee was cheaper, and she was already paying other bills at the same time at the Paper Plus counter.

If there is a fee attached to setting up a process, people will default to using a cheque instead (in spite of cheque fees). Perhaps the “flat fee” model for cheque usage feels invisible to customers whereas if they are prompted to pay a fee they switch payment modes without exploring the real costs.

While we didn't fact-check, we heard that some banks are charging fees that are more expensive than cheques for setting up types of direct credits. This may require further investigation.



About a counter payment fee:

It's about, I don't know how much it is, it's not terribly much, 25-cents I think, it's a matter of principle to me, I know they put that on fairly recently, it used to be that you could just go and pay anything at the counter and that was fine, but then all these agencies came in and decided they were going to get their cut, because this is probably some of what's going on now, to put people off. So, I thought no I've got all these cheques, I'm just going to send a cheque away, so I don't have to worry about that silly little amount.

Participant WI-11

HIGH-LEVEL OPPORTUNITY AREA

This issue of avoiding fees probably comes as no surprise to the banks. However, it seems there may be a role to play for behavioural economists who can design fee structures that nudge people away from cheques by simply communicating the true costs of each payment mode in a way that helps people make “rational” choices and banks could use cheque fees as a more powerful deterrent.

Insight

The ceremony of cheques (and paper)

We expected to hear more about the romantic side of using cheques, such as the feel of paper, the ritual of writing them, etc. However, what we heard was more around habits, preference, ease, fee avoidance and mistrust of other options.

One outlier was a paper-loving participant who realised at the end of the interview that her worries weren't so much about cheque removal. She said,

“**If they said, ‘there’s going to be no more post’ and everything had to be emailed to you, and you’d never get anything in the post, I think I’d be more upset than if they said, ‘you can’t write a cheque anymore.’**”

Participant WI-10

One participant at a government department told us about using cheques as koha for visiting marae. Cash would be a good substitute, he said, but the issue of getting cash to staff who were out in the field was too risky and difficult. Thus, cheques were the best for koha payments.

Older persons we spoke with liked the freedom to be able to write cheques to their grandkids and others as gifts without leaving the home. There was some ceremony attached to handing over the cheque that was somehow different in nuance to cash (or probably just easier).

One organisation told us that they pay staff bonuses by cheques because that creates a more special feeling than just popping the extra pay into their accounts.

HIGH-LEVEL OPPORTUNITY AREA

High-level opportunity area: create clever alternatives to cheques that still have the ceremony of paper but that have an easy digital payment mode for actual money transfer. This may have particular significance for how things function at marae so could be tested with iwi.

Insight

The staunch cheque users admitted they would adapt, but others are worried about the impacts on their organisation

There was a noteworthy pattern to the interviews with some participants who claimed to love the use of cheques. When prompted whether cheque elimination would produce a small/medium/large impact on them, even the most ardent cheque fans admitted the impact would in fact be quite low.

“**Well you know given that in my case I’ve got my daughter who’s got complete control of those sort of things I’d say, ‘here you do it’.**”

Participant WI-04

Key insights

Exploring cheque use in New Zealand

“

Well, I'd just toddle on, just pay at the counter and stuff like that, you know. I wouldn't have an issue with it. ”

Participant WI-11

On the other hand, for some within organisations (who are not necessarily attached to cheques the way individuals might be) the impact would be bigger due to the necessary changes in office procedures and/or fear of customer reprisal should they not be allowed to accept cheques.

The two sides of the argument suggest there is perhaps more fear from organisations than is necessary – the die-hard cheque users we spoke with might not be happy, but they'd find a way.

“

Well because we know, we know there'd be a huge kick up [if we didn't accept cheques] ...we get enough of a bad rap as it is, you know it's good if everything is good but as soon as you make one wee mistake...you know so yeah don't want to sort of rock the boat too much, you just need to get their money without inconveniencing people too much.

Participant WI-01

“

First of all [if cheques were eliminated] there is nothing I could do, and the other thing is, you know, I've got a business to run so I would find a way.

Participant WI-13

“

So I mean if there are other options [through accountant], I am happy to use them, but we have never been informed of others. We have just been told to do this, we have the cheque and like okay, it works. So, we have never queried or questioned.

Participant WI-08

“

...but honestly, if they had to go, if the cheques had to go, then I would manage. I'm not going to be thinking, I would write into the editor moaning and groaning that the cheques were going or anything

Participant WI-11

“

If we turned off cheques, we'd have a queue of [employees] up the stairs to talk to the Board.

”

Participant WI-17

HIGH-LEVEL OPPORTUNITY AREA

Demonstrate clearly to organisations and businesses that customers may be mildly annoyed, but are ultimately willing to change with the right supports and nudges.

Support organisations with opportunities for best practice without cheques. Offer a pool of money for investing in updated technology.

Framework for thinking about how to shift away from cheques

Listening to the reasons behind cheque usage, we realised there are those who “can’t” shift easily or those who “won’t” shift easily (but will with a nudge).

Those who “can’t”

- Lack of digital access entirely
- Disabilities
- Frail elderly
- Digitally left behind (just didn’t learn)
- Bound by rules/regulations (e.g. courts only accepting cheques, various vendors requirements)
- Isolated socially, culturally or geographically
- Low literacy, low understanding
- Can’t pay someone online when don’t have bank details

Those who “won’t” (but will with a nudge)

- Preference for other channels
- Habit
- Easier options available
- Afraid/resistant

The two types require different solutions.

“Can’t” types need support for a transition.

For example:

- Digital training or non-digital solutions
- Just do it for people via family support or approved social service or private agents
- Social service support for frail elderly and persons with disability if required
- Government department and other business commitment to change/streamline procedures

“Won’t” types need cleverly designed nudges.

For example:

- Remove the option to pay by cheque
- Make it universally more expensive to pay by cheque
- Promote existing options with more intent
- Provide a higher level of confidence that sharing a bank account isn’t tantamount to free account access
- Make it easy to pay without giving bank account details
- Design a paper substitute for time of ceremony or gift-giving



Hēnare

Can't because it's difficult to pay other ways due to having frail health, low mobility and isolation.



Tae

Mix of can't and won't because he doesn't have online skills, has no time, but is also a bit stuck in his ways.

Won't



Can't because she doesn't always have bank details to pay online. She would if it was frictionless.

Suzanne



Doesn't see the need for change and doesn't want to. He wouldn't move without a good fight.

William



Scenarios

Exploring cheque use in New Zealand

The following are some hypothetical, amalgamated scenarios based upon the stories we heard. These characters can be useful for thinking about client need and for humanising the issues. The quotes are also hypothetical but represent some of the challenges expressed by the participants. The scenarios can be plotted on a continuum which helps when thinking about the solutions they may need based on the “can’t” or “won’t” extremes.

Hēnare	 Elderly man	 Low income
 Lives rurally	 No family	 No internet access
 No mobile phone	 Can't drive anymore	 Uses a walker
 His nearest neighbours look after him by delivering groceries and taking him into town now and again		 Pays bills by posting cheques – has flag drop at house for postal pick and they come each day

Tae	 Non-digital farmer	 Lives rurally
 Doesn't trust direct debits	 Doesn't own a computer	 No internet access
 Doesn't own a smart phone	 The systems and processes of the farm are set up for using cheques and he doesn't have the business capability to change confidently	



I can't do many things by myself anymore. Not being able to pay bills would take away my dignity. I'm already feeling quite dependent on a few nice people to help.



I've got a system that works for me. I don't have time to learn anything new – I'm a farmer, my time is determined by the demands on the farm. I find people that I trust to do all my accounts – I can't be bothered dealing with finances and money. I have never in my life found the time to sit in front of a computer.

Suzanne			CFO in a medium-sized organisation
	Makes a lot of one-off and regular payments, both online and with cheques		She often can't pay people online because she doesn't have their bank account details so she finds no other option but cheque
	Until everything is easier online, she will write cheques		She likes to pay staff Christmas bonuses with cheques to make it feel more like a gift
	Efficiency is her main driver		Would like to improve efficiency but cheques are sometimes easier than a whole system change within her organisation

William			Successful small business owner		Doesn't like to change
	Has always done things a certain way		Emotional connection to cheques and paper processes		
	Doesn't like emails, thinks they're impersonal		Loves the social aspect of sending letters and going into the bank		
	Likes the traceability and control paper processes enable		Doesn't like being told what to do – hates limited choices		



I really don't like cheques, but if it's a hassle to do it online I won't bother and just quickly write out a cheque.



If my bank took away cheques, I would swap banks. They are legal tender – I will keep using them and I would complain to my local MP if they tried to stop them altogether. It wouldn't be fair at all. The government should just wait 10-15 years to eliminate cheques for the next generation – it would make it easier for everyone.

Initial concept and framework development

After learning about the insights, the working group came together to test some early concepts and frameworks in a half-day brainstorming session. This day was not designed to be an intensive design experience, but rather a session to develop ways to think about the issue going forward.

To test the process, the group broke into two and:

1. looked at the reasons why people are still writing cheques,
2. then thought about what customer need that reason represented, then
3. they developed a high-level concept as a possible solution.

The other group then gave their reasons it would not work in a 'ritual dissent' style. They then went back to the drawing board to strengthen their concept and thought about what style of nudge(s) would help.

The framework for thinking about the nudges was initially called "nudge, prod or shove" which were then turned into three types of nudges with more definition:

An invitation to change
(gentle nudge)

Persuasion to change
(the prod, more active nudge)

Forced to change
(the shove, making people shift to other modes permanently)

Here's an example of what one group came up with:

They looked at the reason: *Fear of giving bank details for online payments*. They turned it into the *need for reassurance and increased trust*.

Their concept was entitled 'Assurance of protection'

An invitation to change:

- Education about the safety of direct debit options
- Organisations signing up to and publishing a code of practice that's visible to customers
- Invitations to change to existing electronic platforms – always telling people about them

Persuasion to change:

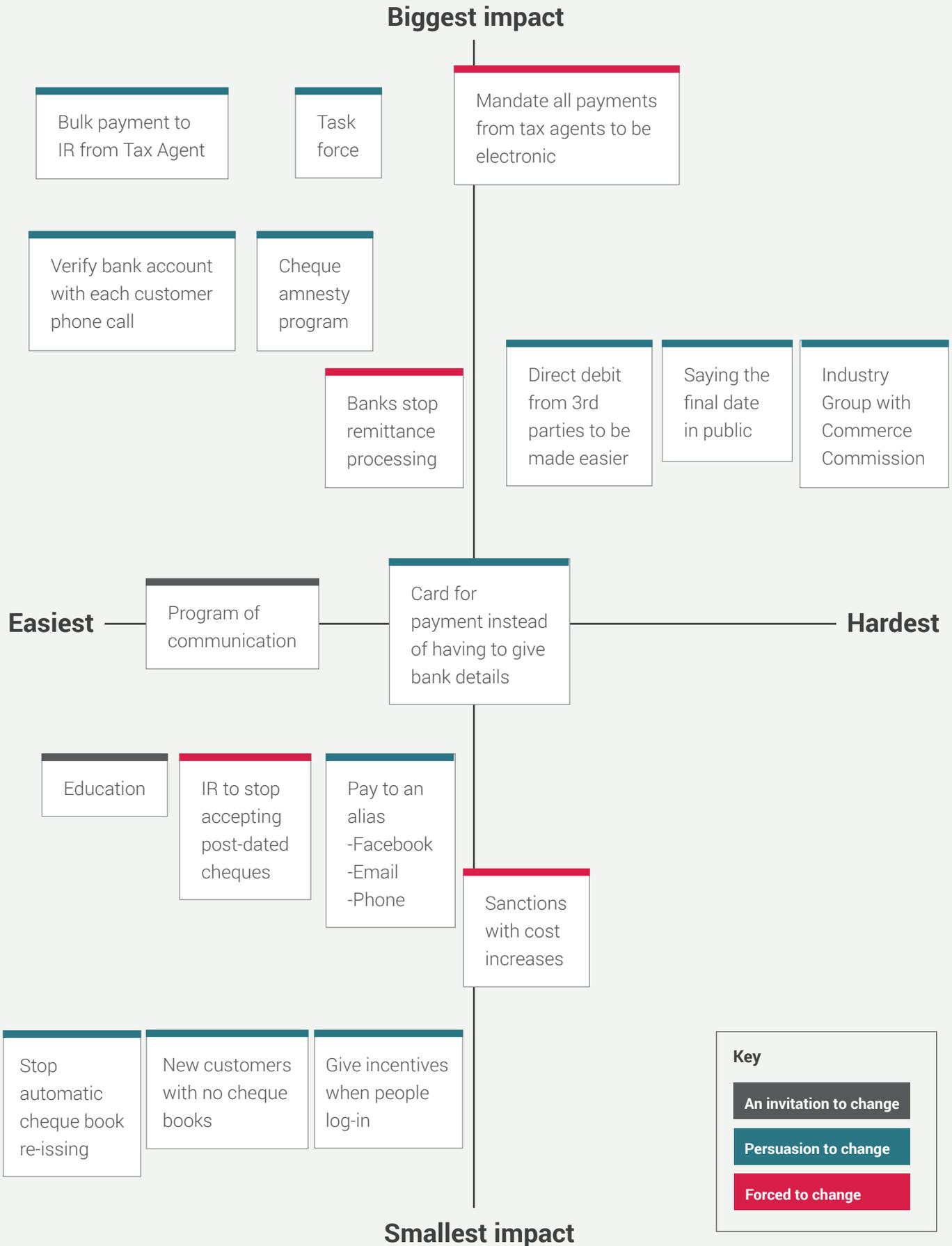
- For payments into accounts, ask people, do you want to be paid today (direct payment) or in two weeks (cheque payment with an exaggerated, intentional delay)?
- Offer a card for payment if they don't want to give a bank account, but charge a fee for that card
- Create alternatives (e.g. pay to a mobile phone instead)
- Non-identifying payments into customer account (e.g. generic message on statement so as not to arouse suspicion by others who can see the account – particularly true for Justice and other complex social events)

Forced to change:

- All card or other costs go to the individual, many other options are in place
- Must pay/accept payment by these other means as we do not use or accept cheques any more

Both the 'nudge' framework and the matrix are useful tools that agencies could use when designing their own concepts. Ideally, future concepts would be developed and tested with the end users of each agency or bank, given the wide-range of customer needs and the special requirements in each department.

The working group then decided to think about some of their concepts for change against a matrix.



Recommended next steps

The working group concluded the brainstorm session by discussing the recommendations they would like to take forward.

A re-invigorated focus on educating customers

This insight project revealed that customers may not know what is available to them, do not understand the safety of online transactions and do not understand the expense of processing cheques.

Exploit and enhance existing communication channels

The working group pointed out that there are already many touch points with customers, but we need a renewed focus on messaging and education through those existing contact moments.

Develop a task force to work with big cheque users

This is particularly appropriate for businesses. The task force would work more intensively to help design good solutions for these big cheque users. The working group suspects it's more about habit and minor tweaks (and education as above) rather than major banking product development. However, the task force would certainly uncover service or product gaps in the system from the user perspective.

Develop champions in each government agency

Government agencies may require some specific changes internally, but will need strategic direction and someone to drive the initiatives. It was assumed that the Better Public Services Result 10 would provide the best fit for the strategic direction and targets, with someone being the champion who understands the insights work and how to coordinate and action the nudges.

Form a benevolent cheque-ending industry group

The working group recognises the issues for banks if there is not a genuine end date and agreement across the banking sector. In order to avoid collusion issues, an industry group or similar could be formed and appeal to the Commerce Commission with a plan to end cheques collaboratively.

Establish a cheque elimination date and then make it public

The working group agreed that in order to initiate the nudges, a genuine end date when cheques are to become obsolete is critical to success. Otherwise, it will simply not be taken seriously. This may involve investment in public awareness campaigns to assist with a general culture shift.

