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Misconceptions Between Food Retailers, Bankers and Food Shoppers in Regard to Check Cashing Procedures

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The study reveals that food shoppers and food retailers have very different perceptions of the use and importance of check cashing procedures.

There has been considerable discussion recently over the question of locating bank branches in food retail stores. The Academy of Food Marketing recently, and coincidently, conducted two surveys of this question. One study concentrated on the policies and procedures of corporate chain and independent food retailers in regard to check cashing, credit limits, and in-store bank operations. A second consumer survey of 200 households in the same trading area examined housewives' perceptions of the same questions. The responses showed a remarkable disparity between the perceptions of the two groups.

All of the stores surveyed, both chain and independent, cashed checks for their customers. Most admitted that their check cashing procedures were more a result of evolution than planning. Seventy-five percent said the customer must actually shop in the store to cash a check; but most admitted this was merely a request, since policing such a rule was almost impossible.

Forty-four percent of the shoppers said they did cash checks in food stores, and interestingly the chain stores estimated that 46 percent of their customers cashed checks. The 56 percent of shoppers who did not cash checks preferred normal banking services, preferred to use cash, or felt the food store procedure was too time consuming. Those that did cash checks usually had only one (55 percent) or at the most two (42 percent) check cashing cards. The majority (54 percent) used their cards rather infrequently. They seemed to perceive the check cashing card as insurance against a cash shortage.

The consumers made several suggestions to improve the check cashing procedure:

a. Have more help in the booth at busy times;

b. Sell cigarettes at a different counter;

c. Have a number registered in some type of computer in case they forget theirs;

d. Issue one card that could be used at all outlets of the same chain.

The major and most striking difference between the two studies concerned the importance of check cashing.

Ninety-two percent of the food retailers said that a discontinuation of check cashing would significantly effect sales. However, 80 percent of the shoppers said they would not change stores

if check cashing were discontinued. This dramatic perceptual difference demands further investigation, and should be of considerable concern to food retailers.

Policies and procedures for check cashing showed considerable differences between stores, and even between stores of the same chain.

a. The actual site of check cashing varied considerably depending on store layout, type of cash registers, and store policy. The income area of the store was also a factor, though there was an obvious reluctance to discuss this point. Most did admit that the check mix did vary between low and high income areas, especially in regard to welfare or social security versus personal checks.

b. All stores surveyed cashed payroll, government, and personal checks; but there were usually more restrictions and limitations on personal checks.

c. Ninty percent allowed a check to be in excess of the actual shopping bill, with an average overage of $20.

d. All stores surveyed performed some type of credit investigation for the issuance of check cashing cards; but the procedures varied from a simple address verification to the use of a credit bureau. Not surprisingly, the chains' procedures were more sophisticated in this area.

e. The in-store verification procedure was theoretically the same in all stores; that is the shopper must produce a check cashing card. But, 20 percent of the stores admitted there are many actual variations in this procedure.

f. The store itself absorbed the responsibility for a bad check; but the chains generally placed at least some responsibility on the store manager, which could be reflected in his bonus.

g. Collection procedures for bad checks varied dramatically from simple letters and phone calls to the use of collection agencies and magistrates. Once again, the chains' procedures were more sophisticated.

h. Check cashing privileges were usually revoked after the first bad check, or at least the customer's card is "frozen" until the account is cleared.

Only 10 percent of the stores surveyed expressed interest in an automated, in-store branch bank; but 70 percent were interested in a manned bank branch in the food stores. Despite the 70 percent interest in the branch bank idea, there were still many complaints about the idea.

a. The retailers felt that the banking business does not understand the retail food industry.

b. Adding a bank branch could involve substantial remodeling costs and capital expenditures.

c. The banks demand prime locations in the store, which are more profitable as selling space.

d. The banks must offer more services, especially longer hours.

e. The store must still maintain a courtesy booth for the hours and days when the bank is closed. The bank, then, only aids in a part of the check cashing dilemma.

The two studies, then, indicate two major misconceptions in regard to check cashing.

1. Food shoppers and food retailers have very different perceptions of the use and importance of check cashing.

2. There is still a considerable lack of communications between the banking community and food retailers.

These problems will demand extensive research as food retailing becomes more complex and more competitive in the years ahead.