Comments on “Payment Instruments as Perceived by Consumers – A Public Survey”

Jed Kolko
Public Policy Institute of California
Outline

- Contributions
- Extensions
- Concerns
- Implications
- Real big issues
Contributions

- Takes consumer perceptions seriously
  - Perceptions can be wrong – good!
  - Perceptions can be changed
- Looks at a cutting-edge payment option: e-purse
- Raises questions about the “social good”
Extensions

- Importance of each “appreciation factor” (safety, speed, cost, ease)
  - Paper has: effect of demographics on appreciation
  - Paper has: effect of demographics on usage
  - Extend to: effect of appreciation on usage, by demographics and by POS location

- Separate out reasons for:
  1. Adoption
  2. Usage conditional on adoption
Concerns

- Omission of transaction factors
  - Average payment size
  - Type of POS location
- Biases introduced by online methodology
  - Test by comparing broadband, dial-up, and TV
Implications: where’s the policy need?

- Finding: consumers don’t use lowest (variable) cost method and don’t face right price

- Where’s the economic rationale for intervention?
  - Externality? Not if internalized by merchants
  - Deregulation? Possibly, if laws prevent merchants from passing transaction costs
  - Coordination? Possibly, if mechanisms have fixed costs
  - Incomplete information? Possibly, but consumers already think e-purse is faster than cash
  - Budget? Yes, since government makes payments
Real big issues

- International comparisons
- Relationship with online and mobile – both commerce and banking
- Age: lifestage or cohort – will we all turn into our parents?