
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?
-