

Comments on
**“The choice at the checkout:
quantifying demand across payment
instruments”**

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Objectives

- ▶ Estimate consumer preferences over payment choices at point of sale.
- ▶ Predict the outcomes of three counterfactual experiments:
 - removing options from the consumer choice set.
 - adding a hypothetical option to the choice set.
 - aging the consumer population.

Method

- ▶ Use a new nationally representative survey (1,500 households).
- ▶ Transform the responses to the open-ended questions into ranked outcome variables.
- ▶ Use the rankings in a ranked-order multinomial logit.
- ▶ Use the estimates to predict the outcomes of the counterfactual experiments.

Main result

- ▶ Debit card serves primarily as a substitute for cash and checks.
- ▶ This finding shed light on the relatively slower adoption of debit card in the US compared to many other developed countries.

Contribution

- ▶ Provide an estimation of the substitution between alternative payment instruments.
- ▶ Little empirical investigations in literature (Bolt et al. 2005).
- ▶ Users do not generally pay any fee per transaction and so the marginal cost of a further transaction is zero.

Consumer substitution: comments

- ▶ Debit is a substitute for alternative payment options ***once and for all***.
- ▶ People will necessarily ***prefer*** debit card to alternative payment options.
- ▶ We can't deduce a complete and definitive substitution from respondent's answers.
- ▶ Examples.

Consumer preferences: comments

- ▶ “Frequent debit users” and “Infrequent debit users”:
where does the classification come from?
- ▶ Why should debit be ranked first?
- ▶ Example.
- ▶ Need further data on respondent payment patterns.
- ▶ What does the « unmentioned » category really mean?
- ▶ How can I build an ordered set of choices between debit, “others” and “unmentioned”?

Consumer preferences: comments

- ▶ Checking account holders *without* a debit card *choose* not to use debit.
- ▶ The principal behavioral postulate is that a decision maker chooses its most preferred alternative from those available to it.
- ▶ Debit is not an available alternative. So people can't choose (if they could they would probably act differently?).

Implicit assumptions

- ▶ Three implicit and important assumptions are made.
- ▶ First, retailers are assumed identical (supermarket).
 - People use different payment instruments according to the type of commerce (Boeschoten, 1998).
- ▶ Second, all four payment options are available at point of sale.
 - Supply-side constraints.
- ▶ Third, the transaction size has no impact.
 - People use different payment options with transaction size (Hayashi and Klee, 2003).

A further implicit assumption

- ▶ For all respondents, the payment choice for which they report their “preferences” was necessarily at the checkout (supermarket).
- ▶ People can refer to payments on the Internet, by post, on vending machines, etc.
- ▶ You don't control for these types of payments.
- ▶ So, choices are not necessarily at the checkout!