

Positive outlook

A select partner

Télécom Paris's Economic Research Unit is in the forefront of research into issues involving the interaction between human and social sciences and IT and communication technology. The "Payment behaviour of the French" study dovetails perfectly with the research already carried out by the two representatives of Télécom Paris, who oversaw this study. David Bounie³, lecturer in Economics, has carried out research on payment instruments, and in particular the impact of new information technology on payment systems. Abel François, researcher at Télécom Paris, specialist in payment behaviour analysis, is also the author of research on public economics.

With its forthcoming results, and even its extension to other European countries, the Télécom Paris study will help direct Cartes Bancaires CB's strategic focus on progressing the growth of electronic payment.

The econometric analysis methods used by the Télécom Paris researchers to extract the information from the data collected for this first study has already revealed some important results. The purchase value of goods is obviously one of the major determinants in the choice of means of payment. The type of retail business where the transactions take place and the sector of activity are also important. However, these are just the initial results of research that will be continued through next year, at the very least. Answers to other key questions will be found. Future analyses could include such questions as, does the purchase date influence the choice of means of payment? Does the possession of a bank card foster, by facilitating withdrawals, the use of cash or, on the contrary, does it help cardholders do without it? Are the determinants driving the choice of means of payment the same for face-to-face payment as for bill payment?

This further exploration of the choices made by French consumers is now necessary to underpin the bank card's further inroads on the payment methods market.

Gaining greater insight into the complex

dynamic between the bankcard and the other means of payment will provide strategic input into Cartes Bancaires CB's approach to driving the continued growth of electronic payment, with the strong conviction that its growing use is synonymous with **value creation**, not just for the banking community, but more so for the users, cardholders and retailers, and for all manufacturers in the electronic payment methods sector. One of the most respected American economists² in this area believes, for example, that the switch from cash and cheques to electronic payment methods, such as bankcards, at the country level will enable a savings of at least 1% of the country's GDP.

Because the scope of its approach also involves the creation of the Single European Payment Area, Cartes Bancaires CB is proposing to extend the scope of this first study carried out in France. Under the responsibility of Télécom Paris's correspondent laboratories and under its direction, comparable studies will provide us with a better understanding of the drivers behind the choices made, this time by the consumers in some of our neighbouring European countries. ■

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² Humphrey David et Al., 2003, "What does it Cost to Make a Payment?", *Review of Network economics*, Vol.2, Issue 2, June.

³ David Bounie is the author of a thesis, "Les nouveaux modes de paiement électronique sur les réseaux ouverts : les enjeux économiques relatifs à la mutation des systèmes de paiement de détail".



The banking community is well aware of the levers that have in the past and will continue in the future to drive the bankcard's success. However, we must admit that, up until now, it did not have any information about the rationale underpinning the preferred means of payment among those available to French consumers. The "Payment behaviour of French consumers" study carried out in association with the Télécom Paris Economic Research Unit, now provides us with initial answers to this question. This study is important because it is the first research to be undertaken on this topic in France, but also in terms of its scope and the volume of data collected. There can be no doubt that the detailed collected data will serve the CB banks well in further supporting growth of the bankcard on the means of payment market and the added value it provides for its millions of users.*

**Yves Randoux,
C.E.O**

CB/Télécom Paris* study The payment behaviour of French consumers under the spotlight

How do consumers choose between the various means of payment to pay for their daily purchases? Initial results from a large scaled study carried out on behalf of the banks under the auspices of Groupement des Cartes Bancaires "CB".

What **means of payment** are available to the French? How do they use them? Do they **prefer some** depending on the place, nature or value of their purchase? Do men and women use them the same way? These questions, fundamental when you start looking at the **overall dynamics of the means of payment market** and its evolution, had until now never been the focus of a systematic and in-depth study in France. Groupement des Cartes Bancaires "CB", as the representative of its 146 member banks, has changed all of that.

These questions lie at the heart **of the study on "The Payment behaviour of French consumers"**, carried out over a period of several months in partnership with Télécom Paris (ENST)*, **the first of its kind in Europe** on this complex topic. The enormous quantity of data shed light on consumers habits, as well as the nature of what is consumed and the means of payment used.

This very comprehensive study shows us, for example, that 40% of purchases paid for by cheque are over more than 150 euros and that 75% of payments in cash are made at convenience stores. However, the study's aim went far beyond than just providing a snapshot of the use of means of payment; it also sought to understand why and how choices are made between bankcards, cheques and cash. After analyzing the data generated during the first months, patterns began to emerge.

This study confirms the leading role the CB bankcard now plays in consumers' daily lives: they use it increasingly to pay for their purchases, both in store and on the Net, and, of course, to withdraw cash from ATMs. ■

Study methodology

• **Data collection:**
March to May 2005

• **Phase 1**

Survey based on a sample of **1,447 people aged 18 and over**, representative of the French population as a whole. This survey was used to collect data regarding:

- > the means of payment used
- > socio-professional data (age, level of education, income, profession, etc.)

• **Phase 2**

1,392 people in the sample **accepted to fill out each day for a week, a "daily expense report"**, detailing for each purchase:

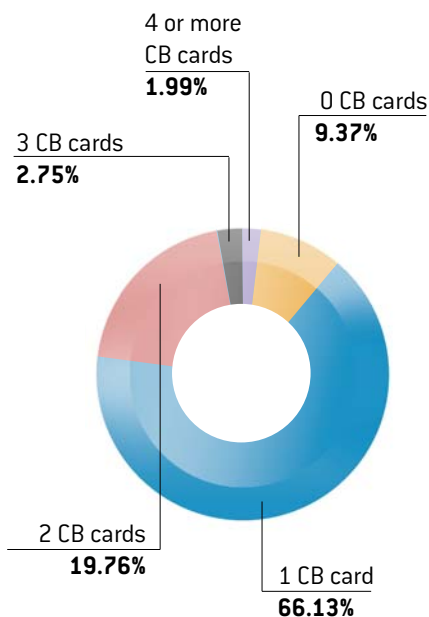
- > the amount
- > the type of goods or services purchased
- > the type of retail business
- > the type of sale (face-to-face, remote, cardholder activated terminal, etc.)
- > the mean of payment used.

*Ecole Nationale Supérieure des Télécommunications (ENST).

Means of payment: what do the French think?

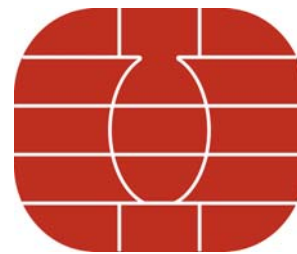
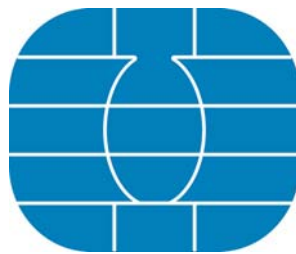
Asked to choose from a list of nine options to define the means of payment they use, the French, here again, give the bankcard the highest ranking; it is the instrument seen as being the “easiest and most practical”. Cash is seen as the most anonymous, but is also viewed as “cumbersome”. While the cheque too is seen as being cumbersome, it is also viewed as being the most effective payment method for controlling expenditure.

Percentage of the population by number of CB cards owned



Never any withdrawals

4% of respondents claim never to make any cash withdrawals, whether over the counter at the bank or from an ATM. While 1% of these explain that others do it for them, 3% say they never make cash withdrawals!



Card payments and withdrawals, part of consumers' everyday life

What payment methods do consumers have? From cash to cards, including cheques: brief overview of ownership rates.

Bankcard: the most widespread payment method

Bankcard, chequebook, cash, credit cards or store cards... Before looking at how consumers use these means of payment on a day-to-day basis, the survey gave a detailed picture of ownership rates. According to the results, **90% of the French own one bankcard and 87% have a chequebook**. The penetration rate of specialist or department store cards is far lower: a little over one out of every four consumers (28%) has a department store or “brand card”, and one out of ten (11%) has a card issued by a specialist financial institution.

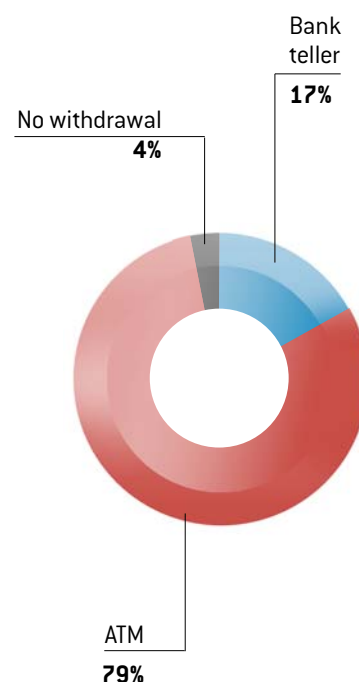
The predominance of the CB bankcard highlighted by this study confirms the strong and steady growth recorded in the quantitative studies made with Sofres at regular intervals since 1987. This study, carried out in partnership with Télécom Paris, provides a more detailed analysis of the French bankcard landscape. It indicates that among the range of available cards, the debit card – used to withdraw cash from ATMs and make payments – is held by a majority of the consumers: 83% have at least one, just 11% have a card that is restricted to cash withdrawals, and 9% have a credit card.

The study also revealed that, in 90% of cases, the cards are “classic” cards, and 10% are “Premium” cards issued by banks.

ATM, a cardholder service

For **79% of the French**, ATMs, available 24/7, are **the prime source for cash withdrawals**. Just 17% of people regularly withdraw cash from the tellers at the local branch of their bank. 4% of the respondents claim never to withdraw cash, or that it is done for them.

Usual point of cash withdrawal



The survey reveals that almost 30% of ATM users make **more than one withdrawal a week** (compared with 18% of teller users). While the majority limit themselves to once a week, several “true converts” (4%), make four or more withdrawals week. One notable difference between ATM and teller withdrawals is the amount: the average withdrawal over the counter is twice as

much as from an ATM (142 compared with 65 euros). In most cases (65%), ATM withdrawals are less than 60 euros. However, this amount varies according to the cardholder’s income. While it is around 60 euros for people on an average monthly income of between 500 and 1,000 euros, it is up to 220 euros for those earning between 2,000 and 2,500 euros a month. ■



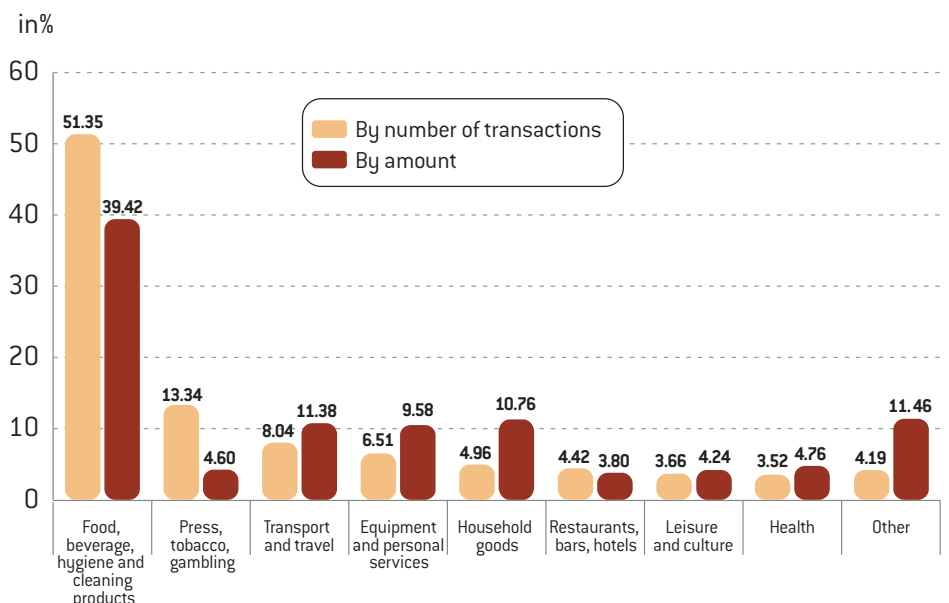
Consumption and consumers’ payment: 11,136 days under the spotlight

1,392 people joined in the exercise of filling out an expense statement each day for a week. Designed specifically for the study, it listed the value of purchases, type of goods, type of retail business, type of contact (face to face, ATM, remote, etc.), and means of payment used. The data were then examined in detail. The end result is a detailed snapshot of all the purchases made by the sample over a cumulative 11,136 days. Overview of the main initial results about consumers’ habits.

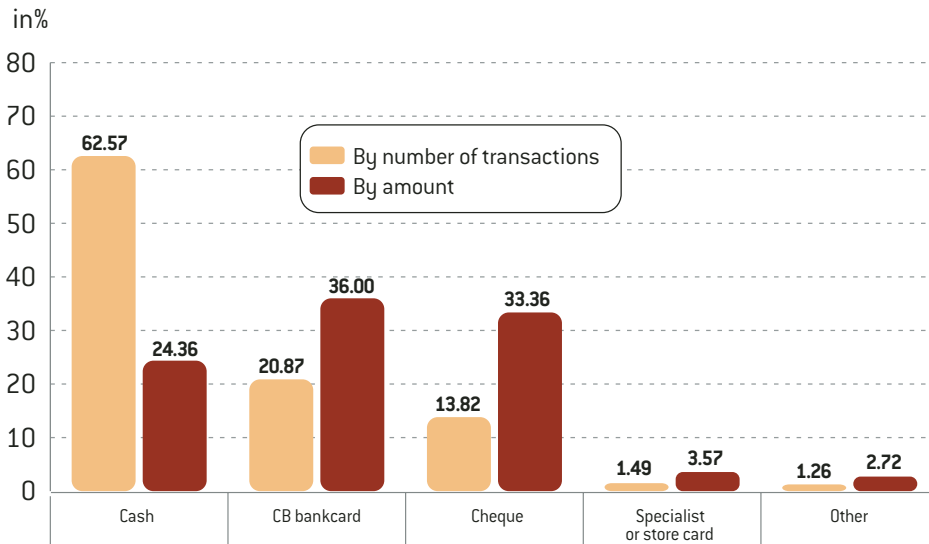
French consumer spending: how often, when, where?

Over the study period, the entire sample made **16,692 purchases**, that is an average of **1.5 transactions a day, including all means of payment combined**. One of the first conclusions from the study is that the respondents’ consumption is not linear across the week. Firstly, because they do not go shopping every day: they made no purchases on **2,227 days**, i-e 25% of the study time. Logically, the days of the least purchases are Sundays and also Mondays, the most common day on which many local shops are closed. On the other hand, confirming the experience of anyone who ventures outdoors at the end of the week to do the week’s shopping, **Fridays and Saturdays are days with the**

Type of goods and services purchased



Payment instruments used



...

highest purchase frequency, with respectively 17% and 18% of the total number of transactions. Concentrating the largest volume of purchases, these two days also record the highest value, together draining around **40% of the respondents' expenditure**.

In the space of a week, the respondents made an average of 12 purchases for a total amount of 390 euros, all means of payment combined. **The average amount of a transaction was 32.50 euros**. However, the study results also reveal that the bulk of transactions (56%) are **less than 15 euros**. Although very frequent, they only account for 4% of the total amount spent by the French.

The study results also reveal precise insight into the breakdown of these purchases by type. The purchases in the "Food, beverage, hygiene and cleaning products" category far outweigh all others in the respondents' consumption: in terms both of volume (51% of the total number of purchases) and value (40% of the total amount). The category "press, tobacco and gambling" finishes in second place in terms of number of purchases (13%), but in seventh place for value (5%), next come "transport and travel" (11%), "household goods" (11%), "equipment and personal services" (10%) and "health" (5%), ahead of "leisure and culture" (4%) or "restaurants, bars and hotels" (4%), at the tail end.

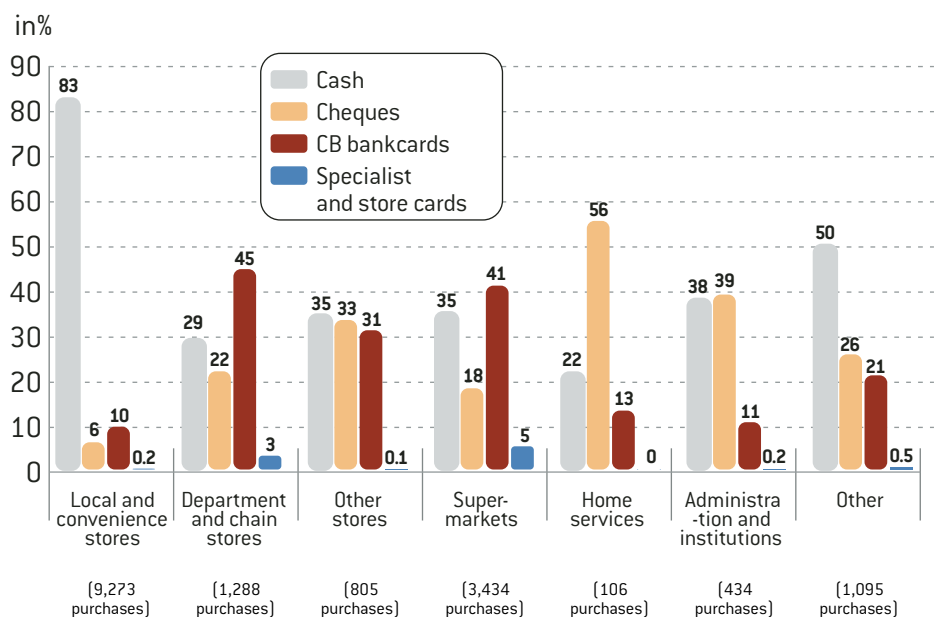
The survey also provides detailed information about the breakdown of purchases by type of retail business. It reveals the predominant position of **local or convenience stores**, which account for 56% of the total volume of purchases. However, they come second in terms of the value of transactions, with just one quarter of all expenditure; the winner in this category being supermarkets which account for one third of the spend (33%).

Finally, it should be pointed out that most purchases are made face to face (93% of the volume and 84% of their value), outpacing distance selling and cardholder activated terminal.

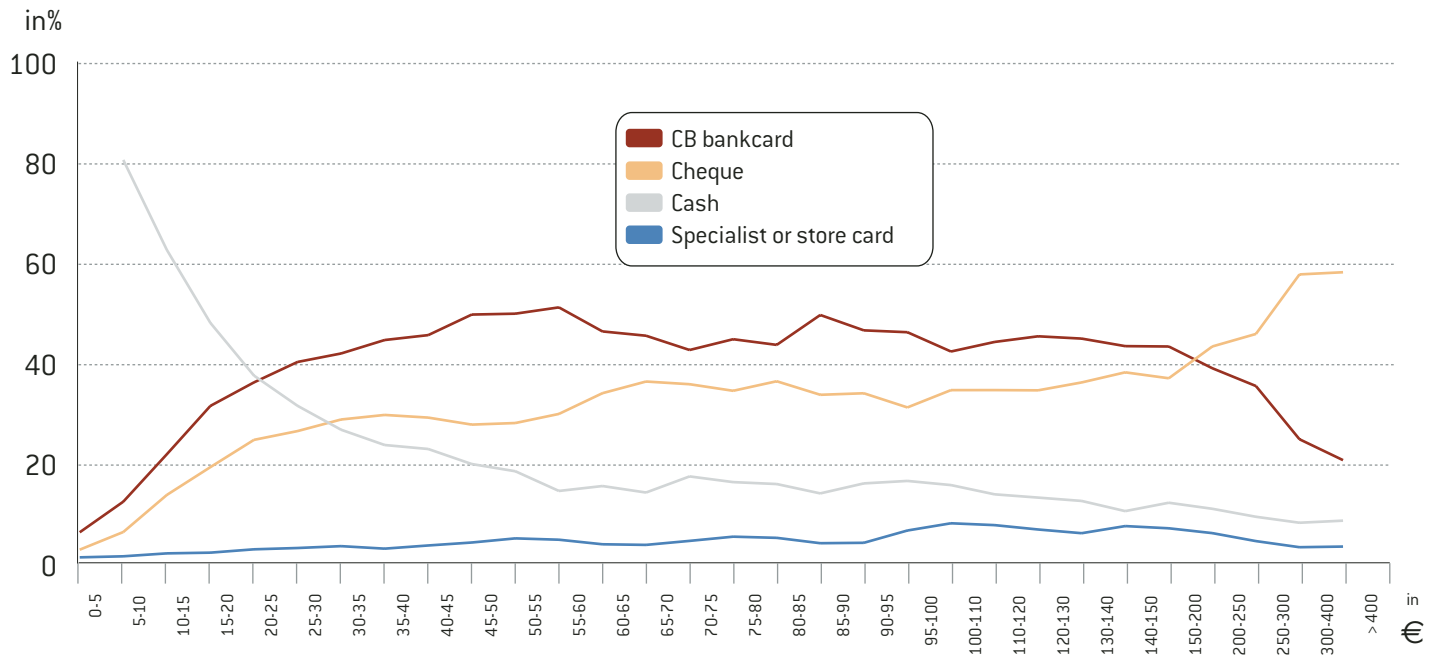
Means of payment used: detail

How do consumers pay for their purchases? In other words, which means of payment, from among those available to them, do they prefer?

Use of the main four payment instruments by type of retail business



Use of the main four means of payment by purchase value*



* Linearised by rolling averages

The bankcard is the outright winner with 36% of the total spend, ahead of cheques (33%) and cash (24%).

This ranking changes if it is expressed as the frequency and not the value of payments.

The trio of the most frequently used means of payment is then, descending in order of importance, **cash (63%), bankcards (21%) and cheques (14%)**. Transactions made using non-CB cards, issued by financial institutions or department stores, account for 1.5% of the total number of purchases.

Value, an essential usage definer

The predominance of cash, the most frequently used instrument of payment, lessens as the value of the transaction climbs. The French pay for **90% of their purchases worth between 0.10 and 10 euros** in cash. This supremacy cuts out at 23 euros, at which point consumers opt more frequently for their bankcard, with these two means of payment neck-and-neck at this point, each with 40% of the market.

In nearly all cases (97%), **cash transactions are worth less than 50 euros**. Just

3% of purchases above this amount are paid for in cash. The study reveals that the average cash payment is **10.70 euros**, while half of all cash transactions are for amounts of less than 4.30 euros.

The unlike of cash, the use of bankcards increases with the transaction amount. Its **frequency peaks** at around **50 euros**, at which point consumers use it in 50% of cases. Beyond this point, its usage slowly tapers off, and cheques take the lead above the 190-euro mark. For example, for transactions worth 200 euros, the breakdown between bankcards and cheques is respectively 39% and 41.5%.

The analysis of bankcard transactions also reveals that 69% involve an amount of less than 50 euros, 21% amounts of between 50 and 100 euros, 6% between 100 and 150 euros, and 4% more than 150 euros. **The average amount for a bankcard payment is 47.50 euros**, but the most frequent value per spend is between 15 and 25 euros.

Like bankcards, cheque usage increases with the value of the transaction. However, with the exception of purchases worth more than 150 euros, the bankcard takes precedence.

Around 63% of all cheques are written for less than 50 euros. However, the **average payment by cheque is 66.60 euros**, and 40% of purchases paid by cheque exceed 150 euros in value.

Impact of type of retail business

The bulk of purchases are made in department stores, supermarkets and local shops.

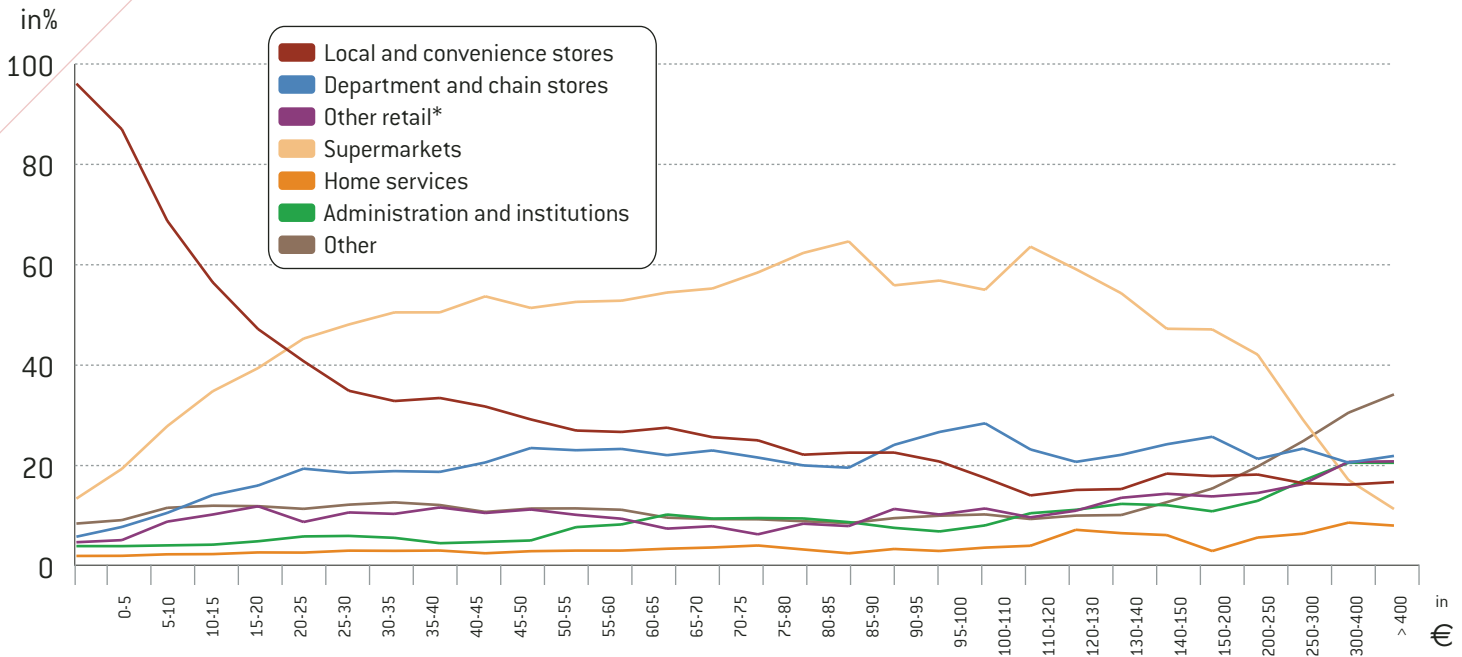
The respondents spend the bulk of their **cash at local and convenience stores: 48% by value and 75% by volume**. Cash accounts for 83% of transactions for this category of retail businesses, and 46% of the expenditure. Bankcards come in second place with 10% of transactions but 29% of the amount. On the other hand, the bankcard is the preferred payment method at **supermarkets (41% of total purchases)**, and at **department and chain stores (45%)**. **Cheques still hold their own** in home services (56%) and for payments to the authorities and institutions (39%). ■



Barriers to bankcard usage above 190 euros

Why does bankcard usage plateau out at this level? It is more an issue of external factors than a deliberate consumer choice.

Breakdown of transactions by value and type of retailer



* For example: hotels, travel agencies, transport and liberal professions.

Above 190 euros, consumers are more likely to reach for their chequebook than their bankcard to pay for their purchases. And yet, this amount is well below the maximum allowable daily spend by bankcard. So, what is the explanation for this situation? Is the 190-euro threshold a “psychological” barrier, beyond which consumers are more reluctant to use their bank card? The initial analysis of the data collected for this Télécom Paris study shows that this is not the case. On the contrary, it reveals **that the bankcard is the favourite payment method, whatever the value of the purchase... providing they can use it.** The low level of usage of bankcards for larger amounts is attributable more to external factors than a deliberate consumer choice.

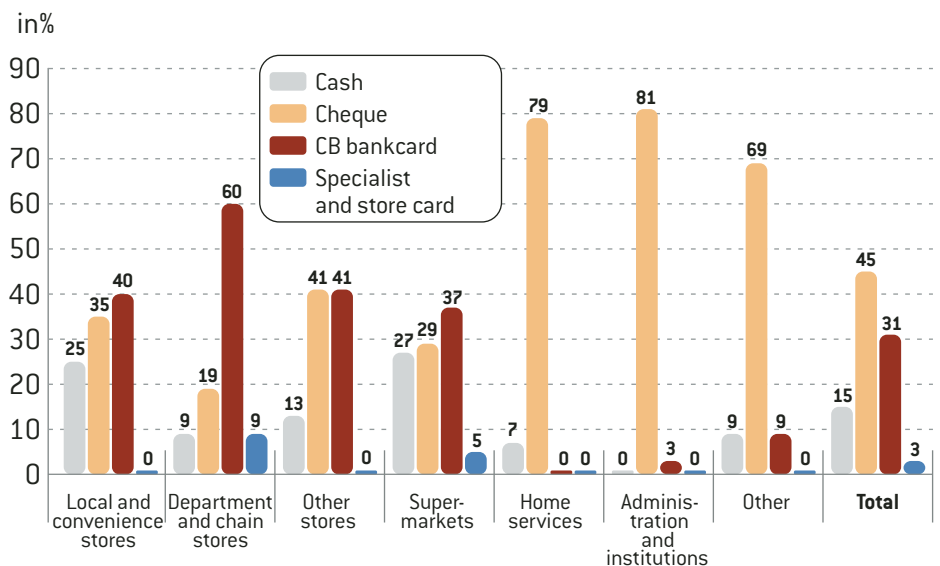
The initial analyses by the Télécom Paris researchers highlight the fact that two

phenomena combine to act as a barrier to bankcard use above 190 euros.

The first is the relative drop in the num-

ber of transactions in the bank card’s privileged areas, e.g., supermarkets, where they far outpace all other types of

Breakdown of transactions worth over 190 euros by type of retailer



retail for purchases worth less than 190 euros (45% of all expenditures worth 100 euros are made in these establishments). However, their position tapers sharply as the transaction value increases, falling to less than 20% when it exceeds 400 euros.

The second factor explaining this situation is the increasing share of “adminis-

tration”, “home services” and even “other retail” (excluding local and convenience stores), and even the “other” category, for transactions in excess of 190 euros. These are sectors where bankcard acceptance is still not very widespread, whereas high value transactions account for a large proportion of all spends here: 33% of the number of transactions

worth more than 190 euros are made in these types of outlets.

On the other hand, when the bankcard is available in these outlets, it outpaces the cheque, whatever the amount of the purchase. In short, the bankcard is preferred over cheques in “department and chain stores” and in “supermarkets”, even for large purchases. ■

Every means of payment have their supporters

Overview of standard profiles.

The study has revealed that 90% of the French have a bankcard compared with just 87% with a chequebook. Is usage of the various instruments of payment spread evenly among consumers? What are the socio-professional characteristics, and what consumer behaviour separates them? The CB/Télécom Paris study and the analytical methods employed to analyse the results¹ provide, for the first time, a scientific answer to these questions. Indeed, four consumer profiles are revealed by the study.

The “CB” consumer

Like the “paper” consumer, or the more frequent cheque user, they are more likely to live as a couple than the “non-spender” and the “cash” consumers (who prefer cash), they make a greater number of purchases and spend more. But that is where the comparison stops. They are whole-hearted supporters of the bankcard, which they use whenever they can.

More likely to live in Paris, they are happy to use remote banking services. They consume more than the average on Wednesdays and Saturdays, with a clear preference for large chains and department stores. They also have a more pronounced use of hotels, travel agents,

transport companies, computers and professionals.

Active, often with tertiary qualifications, they frequently own their home, and often dine out in restaurants. They tend to be middle managers or professionals and have a higher than average income.

The “paper” consumer

Spending more and more often than the French in the other cohorts, they are very attached to their chequebook. The standard representative is a woman, often married, and living in a rural environment. This category of consumers generally shops every day. She is also defined by the importance accorded to “personal services” and “health” type goods, both in number and value. At the same time, she devotes the bulk of her budget to her home. She shops at various types of outlets in the same proportions as the average of all other consumers, with one exception: her relatively higher consumption of administration and public service goods and services.

The “cash” consumer

These consumers prefer cash and they handle it more than the others. While they make withdrawals more frequently than

others, they also withdraw larger amounts. They do not spend more than the other cohorts, but they consume more often, even every day of the week. Another distinctive feature is their more assiduous patronage of local shops, where they buy and spend more than the others, with an emphasis on “food, beverages, hygiene and cleaning products” and “press, tobacco and gambling” (both in number and value).

They are more likely than the rest of the population not to have qualifications and include a larger proportion of unemployed (unemployed or homemakers).

The “non-spender” consumer

What is the common thread between these consumers? Their relatively limited use of means of payment. They make fewer purchases and spend less than the other types of consumers, particularly on leisure, culture, restaurants, hotels or home services.

Obviously, it is the lack of money rather than a deliberate attitude that links this type of consumer, often unemployed. Their income ranges between 500 and 1,000 euros a month. They often live alone, in towns with a population of between 20,000 and 100,000. ■

¹ The statistical method applied to establish these standard consumer profiles is the “main component method” analysis.