

SUBJECTIVE COMPARISON OF RETAIL PAYMENT SYSTEMS AND SERVICES IN FRANCE AND FINLAND (HOW TO COPE WITH A PAYMENT CULTURAL CLASH)

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Disclaimer

- All the observations are **personal** and do not necessarily reflect the true situation either in France or Finland

My background

- ▣ Business School Graduate
- ▣ A lot of experience in IT
- ▣ Early home banking and chip card pioneer in the 80ies
- ▣ Employed by a commercial bank in the 80ies and the 90ies in payment systems and related areas
- ▣ Used to be in charge of the supervision of payment systems in Finland
- ▣ Currently an interested observer

Background cont ...

- ▣ 18 months in France 2006-2008
 - To lead a European project for the exchange of securities transaction reports between securities regulators
- ▣ Family part time in France
 - Wife
 - Teenaged son
 - (Adult son)
- ▣ Lazy and conservative customer
 - Like paper and cash as long as convenient and not overpriced
 - ▣ Paper is the easiest and safest means to store modest amounts of information for a private individual
 - ▣ Cash is gone when it is gone – no need for follow-up

Opening an account in France

- ▣ Originally studied the possibility to do without a French bank account
- ▣ This was not possible because of
 - The employer would not pay cross border (CESR, a European institution!)
 - Could not live without cheques
 - ▣ Landlords, schools, dentists etc. want to have them
- ▣ Need a utility invoice with an address in France
 - Impossible to have a permanent address without a bank account
- ▣ Took 12 days to open and additional time to get a card and the cheques
- ▣ No idea how difficult for a EU citizen in Finland

Characteristics of Retail Payments in Finland (my view)

- ▣ Cash is relatively easily available and almost universally accepted
- ▣ Debit and Credit Cards relatively wide spread and mostly accepted
- ▣ Cheques not in use
- ▣ Mobile phone payments a curiosity
- ▣ Direct debit not popular nor e-invoices
- ▣ Kiosk self service and electronic standing orders common

Characteristics of Retail Payments in Finland cont ...

- ▣ Few bank branches
- ▣ Internet banking widespread and widely used
 - Versatile services
 - ▣ Including cross-border payments
- ▣ Free internet in public libraries
- ▣ Payment kiosks common
- ▣ Package pricing common
- ▣ Low visible fees

Characteristics of Retail Payments in France (my view)

- ▣ Cash is relatively easily available and almost universally accepted
- ▣ Debit and Credit Cards relatively wide spread and mostly accepted
- ▣ Cheques still in widespread use
- ▣ Direct debit common (no e-invoicing)
- ▣ Standing orders rare

Characteristics of Retail Payments in France cont ...

- ▣ Bank branches common
- ▣ Internet banking in its infancy
 - Limited service offer
 - Transfers only to pre-registered domestic accounts
- ▣ Free internet only on occasion for laptop owners
- ▣ No (need for) payment kiosks
- ▣ Package pricing common, but does not cover all services
- ▣ Costly services except the use of cheques

Direct debit

- ▣ France
 - Service providers prefer direct debit
 - Main alternative cheques
 - Agreement between the provider and the customer
- ▣ Finland
 - Service providers mostly indifferent
 - Main alternative electronic standing orders and kiosk payments
 - Agreement between the bank and the customer
 - e-invoice a potential (clumsy?) alternative

Cards

- ▣ France
 - Long history of chip cards
 - PIN verification universal
 - Carte Bleu integrated in international programmes
 - Services in the web universally paid by cards
- ▣ Finland
 - Chip cards becoming more common
 - PIN verification introduced
 - National Bank Card to be faced out
 - Non-card web payments dominate domestically

Super Markets

- ▣ In France the customer packs first and pays afterwards in Finland the opposite takes place
- ▣ In France the customer has all the time in the world
- ▣ In Finland the customer is always impatient
- ▣ In France card payments are common, cash payments frequent and cheque payments occasional
- ▣ In Finland cash and card payments seem to be roughly equally common

Rent and utility payments etc

- ▣ In France either direct debit or cheques
- ▣ In Finland mostly electronic standing orders or kiosk payments, but also direct debit
- ▣ Public authorities in France mostly cheques, but also cards
- ▣ Public authorities in Finland mostly standing orders or kiosk payments
- ▣ In France private individuals cash and cheques
- ▣ In Finland private individuals cash and money transfers

How did my habits change?

- ▣ Originally
 - Cash and electronic standing orders almost exclusively
 - occasional card payments
- ▣ Before the move to France
 - Direct debits in Finland
- ▣ In France
 - Direct debits
 - Cheques (had to relearn to write!)
 - Card payments in stores and in the web
- ▣ After my return
 - Direct debits remain (I am lazy)
 - Gradual slide back to cash

Experimenting with cross border services

- ▣ Rent by standing order from Finland
- ▣ Use of Finish Visa Electron and Visa Cards in France
- ▣ Use of French Master Card in Finland
- ▣ Comparative use of Finish and French cards in third countries

So what might we learn?

- ▣ A customer is conservative
 - If it ain't broken, don't fix it
- ▣ Payments are a necessity not an aim as such
- ▣ A change in habits requires strong incentives
 - Give tangible benefits without big drawbacks
 - Change in pricing (favour desired and penalise unwanted behaviour)
 - ▣ May not be possible due to competition
 - Remove old services