

Abstract

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Payment Efficiency and Payment Pricing – Four Essays –

The four essays in this Doctoral thesis provide new evidence of efficiency in electronic payments and banks due to the technological change in payment distribution systems and how banks can utilize and develop their pricing of payments in the presence of changing technology.

“Benefits from a Changing Payment Technology in European Banking” identifies cost savings from technical change in European banking. Increasing use of electronic payments and ATMs in 12 European countries make banking operations costs \$32 billion lower than they otherwise might have been, saving 0.38% of the 12 nations' GDP.

“Efficiency of Banking Systems from Use of ATMs and Electronic Payments” analyses if the use of electronic payments and ATMs leads to more efficient banking. Part of the benefit seems to be passed on to the consumers which make effects on banking efficiency low even though more efficient payments are made.

“Pricing of Card Payment Services in Scandinavian Banking”, analyses why Scandinavian banks charge their card payment services to consumers the way they do. The different pricing strategies among banks are evaluated with respect to country specific and banking specific factors. The banks show low interest in charging transaction fees in order to encourage changing payment technology.

“How Should a Bank Price Payment Services? – Challenges from the Theory of Two-Sided Networks” analyzes the manner in which a bank should price payment services. This includes the fact that the bank has the option to make profit on price bundling as well as from several payment networks. In addition to analysis of benefit based on two-sided markets, the profit at banks requires analysis of the consumers' and merchants' decisions for being member in a payment network or using a payment network. The analysis of the intrinsic benefits and network benefits is therefore complemented by analysis of their associated benefits.

Key words: payments, bank, efficiency, pricing, technical change, two-sided networks, price bundling

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