#### Discussion of:

# Payment Instruments, Financial Privacy and Online Purchases

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#### Overview

- Broad question
  - ➤ How do privacy concerns affect online purchases?
- This paper explores an answer
  - To keep financial and personal data private consumers choose non-bank payment instruments
- Discussion
  - > The value of information
  - The cost of using non-bank payment instruments
  - > Paypal as a 'privacy considerate' payment instrument
  - Endogeneity and omitted variables in the regression

#### 1. The value of information

- The recent development in IT have vastly enlarged the amount of individual information that can be collected, stored, analyzed, and repurposed for new uses.
- These vast amounts of collected information have substantial economic value
- What compensates the issuers of non-bank "privacy considerate" payment instruments from the loss of these profits?

# 2. Cost of non-bank payment instruments

- In the paper: "inconvenience and technical difficulties of using these alternative payment instruments"
- These are indeed fixed, mostly once-for-all costs: you incur in them the first time you use the instrument (e.g. to set up the account), but generally after first use these instruments are very convenient

## 3. Paypal and privacy consideration

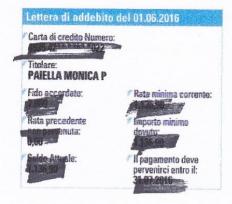
"All payments made using Paypal are reduced to a single line on the bank account and banks have only the aggregate amount"

Is it really so?





Casella Postale 14035 - 20152 Milano





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#### Vuoi passare dalla Lettera di Addebito cartacea alla versione online?

Registrati subito nell'area riservata del sito dbeasy.it Il servizio è GRATUITO.



Lettera	di	adde	ebito	mens	ile
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MENTO DATA ACQUISTO DATA REGISTA. DESCRIZIONE DELLE OPERAZIONI

SALDO PRECEDENTE A VS. DEBITO

Carta N. 4935 42** **** *8	72		SALDO PREGEDERIE A VS. DEBITO	2000
00201605031949107686275		03/05/2016	PAGAMENTO CON ADDEBITO SU VS C/C	100
Casta N. 5425 32** *** *8	27			-
85592616123072729668404 30130504	26/04/2016	04/05/2016	0552325661746 WWW.ALIT ROMA	74.67
85130066123617572583555 47890563	91/05/2016	08/05/2016	PAYPAL *TRENITALIAS 35314369001	2503
851300661246176Z2804513 48140504	03/05/2016	04/05/2015	PAYPAL *WWW.WIND.IT 35314369001	76
85130066124617622834502 48140504	03/05/2016	04/05/2016	PAYPAL "WWW.WIND.JT 35314389001	1
55256106124101109704970	03/05/2016	04/05/2015	SUPERMERCATO DI PER DI ROMA	76
72980523		- makeokeaus	POLICIAGO INFORMADA A F. MOMBA	446
85130068152621532387077 47890601	30/05/2016	01/06/2016	PAYPAL *TRENITALIAS 35314369001	
95130066152621533124677 19470601	30/05/2016	01/06/2018	PAYPAL *PRIMEPRINTG 01523499949	
5130066152 <b>6</b> 21535725521 69470601	30/05/2016	01/06/2016	PAYPAL *PRIMEPRINTG 01623499949	
95353396152621936093736 92450601	30/05/2016	01/06/2016	RYANAIRGW1Y4J PAYPAL COM	
				330

SALDO ATTUALE A VS. DEBITO

Le operazioni denominate in divisa diversa da EURO riportano l'indicazione del tasso di cambio londo applicato, inclusivo dell' maggiorazione percentuale per il servizio come prevista dalle condizioni rilevabili nel documento di sintesi della Sua carta di credito.

Come da vestre istruzioni abbiamo provveduto all'addebito automatico di:



Codice Titolare

IMPORTO IN EUR

### 4. Endogeneity

```
(Purchase)_{i} = \alpha + \beta_{1} (Use of non-bank payment instruments)_{i} \\ + \beta_{2} (Financial info stored on e-comm websites)_{i} \\ + \Sigma_{j} \beta_{j} (Empowerment)_{i} \\ + \Sigma_{j} \beta_{j} (Risk)_{i} \\ + \Sigma_{j} \beta_{j} (Online activity)_{i} \\ + \Sigma_{j} \beta_{j} (Individual variables)_{I}
```

- Sources of endogeneity:
  - Reverse causality
  - Omitted variables: privacy concerns, familiarity with technology

# Very interesting paper!