

# The Norwegian Cost Survey 2007

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# INTRODUCTION

# Structure of presentation

- Why carry out cost surveys?
- Three surveys:
  - Banks
  - Merchants
  - Households
- Some results

# Why carry out cost surveys?

- **Central Bank Act § 1 (1985):** Norges Bank is to: "...promote an efficient payment system domestically and towards other countries..."
- **Efficiency:** Cost efficiency, fast, secure, user friendly / choice of how to access payment means, competition.
- **Development:** It is important to track changes in costs over time, surveys carried out in 1988, 1994, 2001 and 2007.
- **Focus on payments in the press:**
  - Fee structure
  - Production costs (especially cash handling)

# BANK SURVEY

# Banks: scope

- **Included:** the (35) most important payment instruments:
  - Cards (Bank-Axcept and international brands)
  - Cash (16 products)
  - Giro and internet banking
- **Not included:**
  - Cheques and e-money (very low use)
  - Cross-border transactions (only NOK within Norway)
  - Interbank payments - SWIFT etc (retail in focus)
  - Costs for bill-issuing

# Banks: costs included

- The bank's total cost.
- Some adjustments were made.
- Total total costs were split in costs related to payments and other costs.
- Payment costs were split in direct and indirect costs.

# Banks: other information etc.

- No. of transactions on services.
- No. of withdrawals/deposits.
- No. of accounts, man-years used.
- Excel spreadsheets for cost distribution.



# Banks: Activity-based cost analysis (ABC-method)

- A method by which indirect costs are distributed to products or services via "activities" by "cost-drivers".
- Direct costs are allocated directly to the specific services .

# Banks: the process

- Meetings with banks' associations.
- Survey-forms and reply-guide produced.
- Invitation from governor.
- "Kick-off"-meeting in Norges Bank.
- Extensive contact (phone, mail, visits).
- Quality check in Q2 2008.
- First preliminary results presented in September 2008.

# MERCHANTS

# Merchant: the scope

- Volume of payments by different instruments.
- Costs with cash handling:
  - Internal costs
  - External costs (from sub-contractors)
- Costs with the use of cards:
  - Internal costs
  - External costs (from sub-contractors)

# Merchants: response Plan A

- 3000 businesses invited to participate.
- Answers on paper or electronically.
- Few replies (4-5 %).
- In addition: the quality of some of the answers was not as good as expected.

# Merchants: plan B

- Contacted 40 businesses (bigger ones).
- Much better response.
- The results from Plan A and Plan B were summed.
- Quality not satisfactory, but enabled us to calculate unit costs etc.
- Separate time studies were carried out.

# Merchants: the process

- Cooperation with the merchants' professional organisations.
- A pilot study was conducted on the questionnaire.
- Invitation from the governor.
- Letter of recommendation from associations.

# HOUSEHOLDS



# Households: payment habits

- Not really a cost survey.
- Input for calculating consumers' cost.
- Also basis for calculation of the number of transactions and volume of cash transactions in society.

# Households: the survey

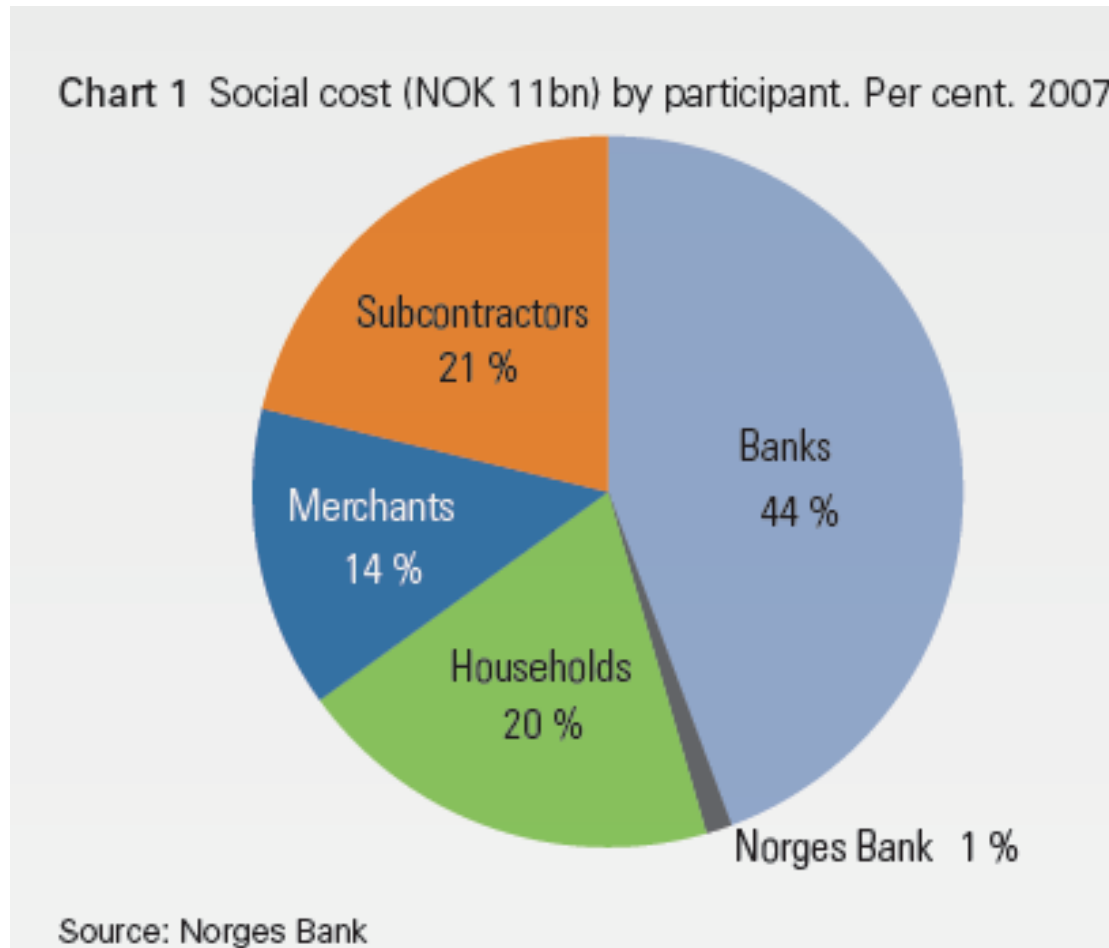
- Withdrawals and deposits of cash.
- How much cash is available for payment purposes?
- Payments done the previous day.
  - Where have you paid?
  - How much did you pay?
  - Card or cash payments?
  - Why did you pay by cash/cards?
- Survey has good quality.

# Households: the survey methodology

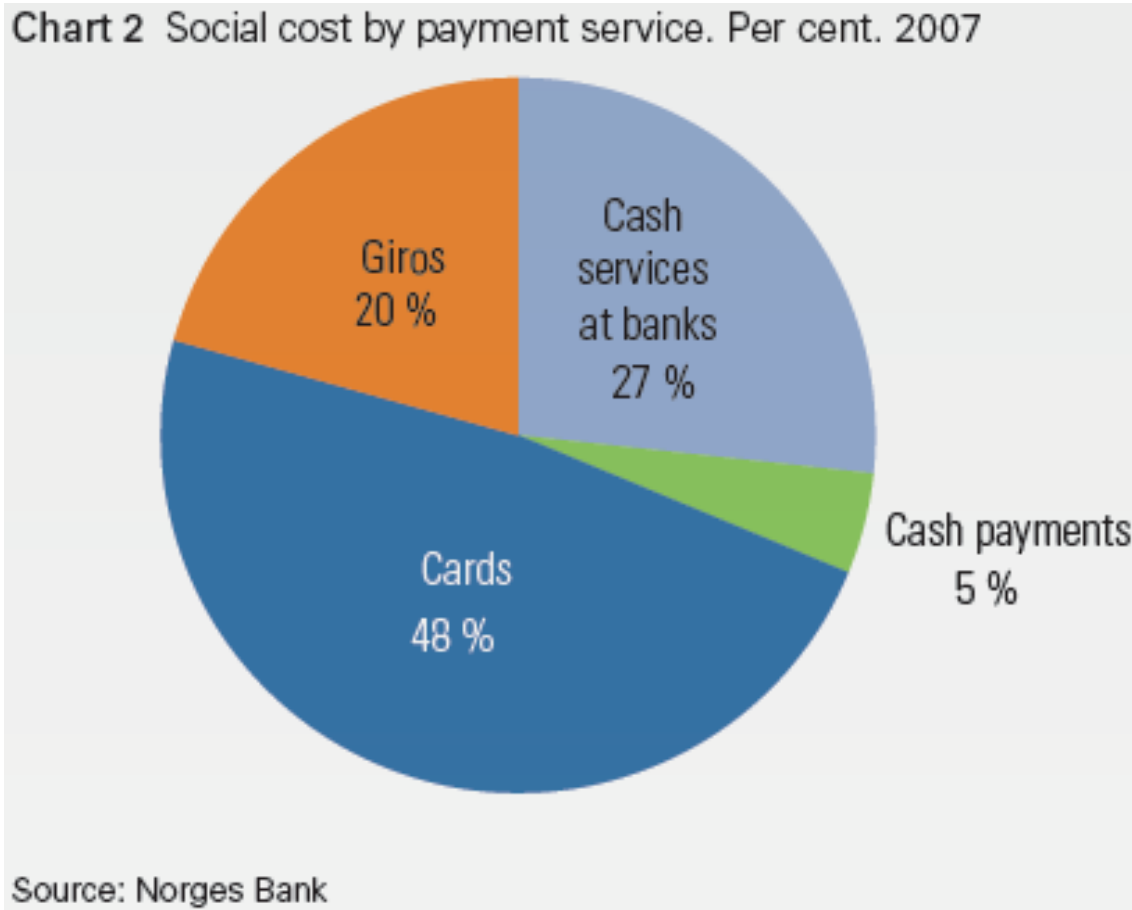
- The survey was carried out by a market research company.
- 1.200 individuals interviewed by phone during 7 days.
- A representative sample according to geography/sex/age/etc.
- Norwegians older than 15 years.

# SOME RESULTS

# Social costs of payments – by participant

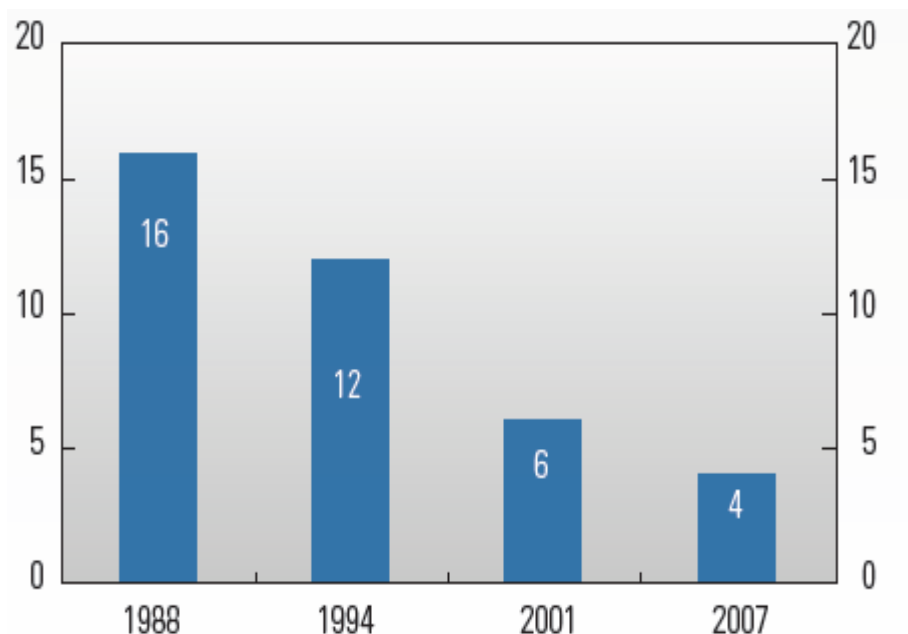


# Social costs of payments – by payment instrument

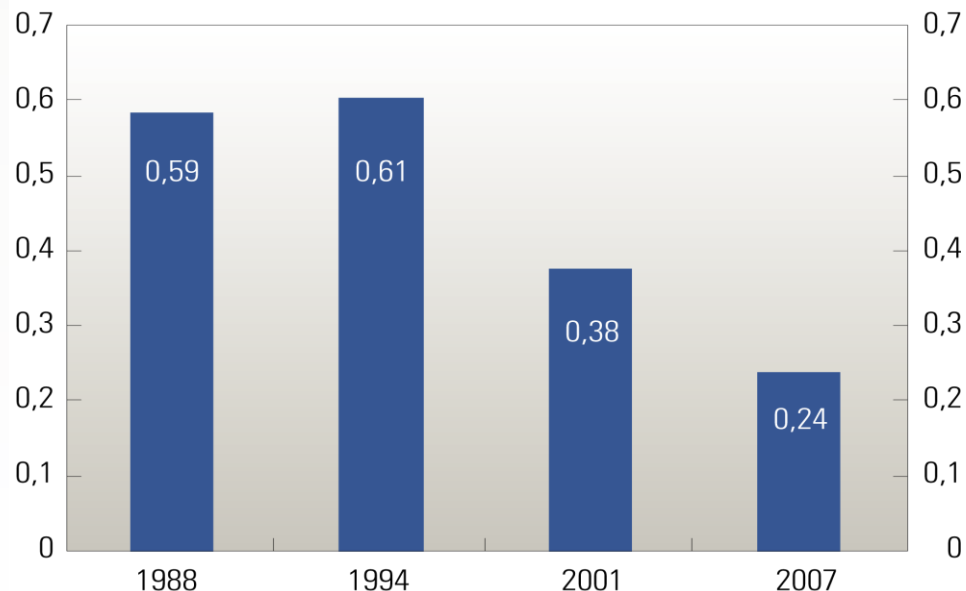


# Reduced costs for the banks

Banks' unit costs, NOK



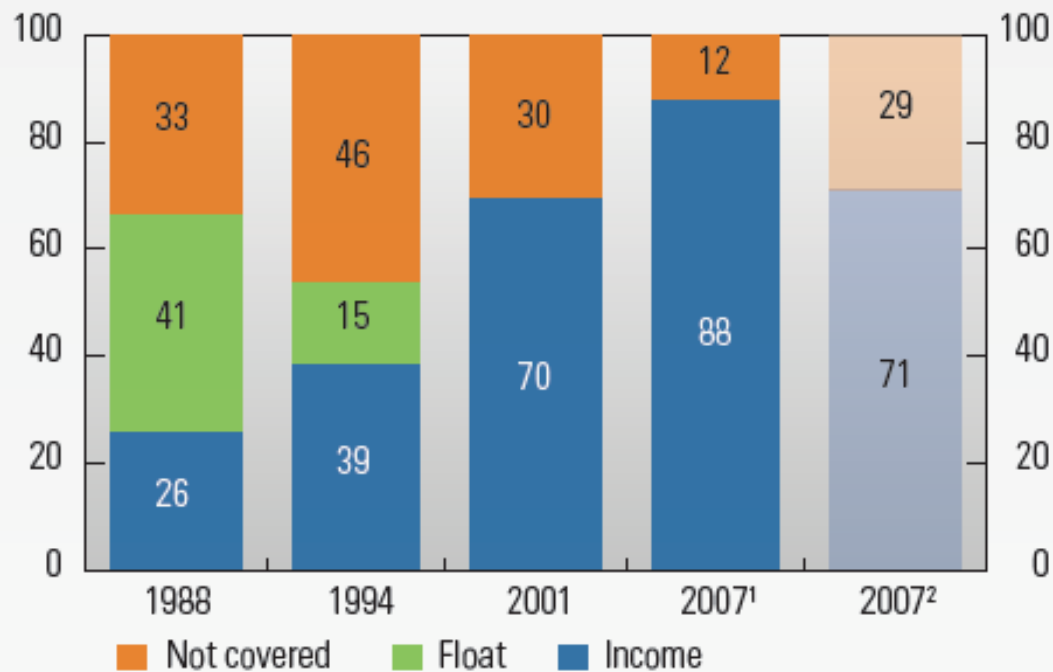
Banks' costs, share of GDP



Source: Norges Bank

# Cost recovery

Chart 3 Bank coverage of costs of payment services.  
Income as per cent of private costs. 1988, 1994, 2001 and 2007.



<sup>1</sup> Not including costs and income from cash

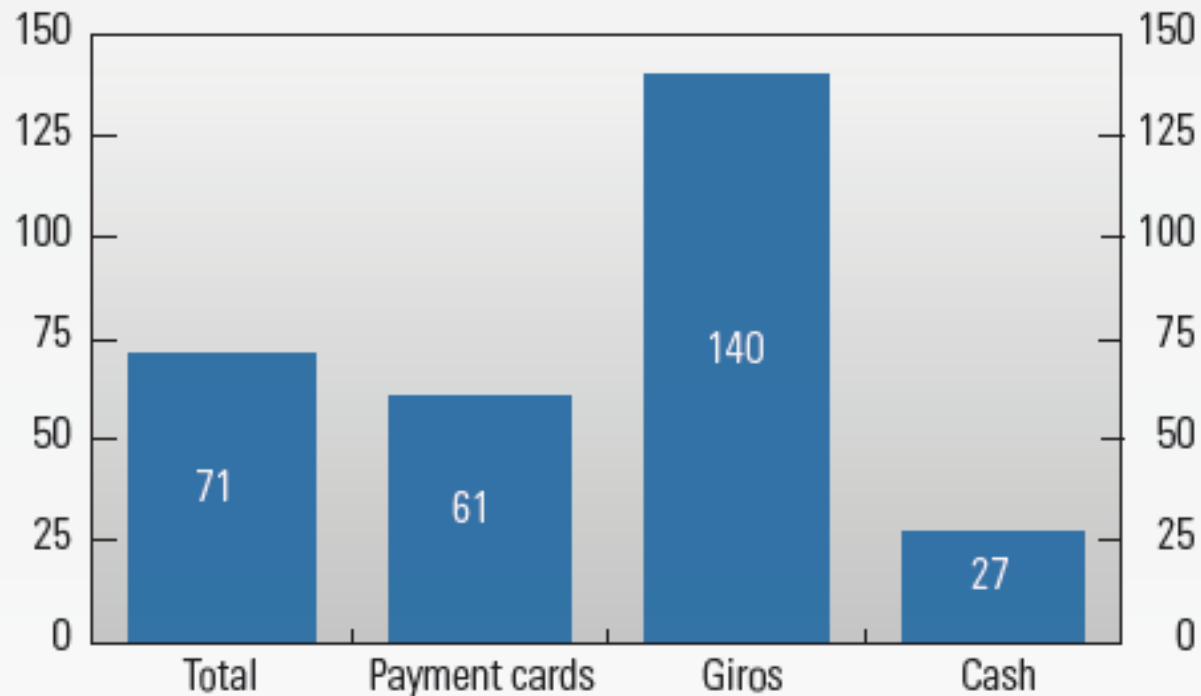
<sup>2</sup> Including costs and income from cash

Source: Norges Bank



# ”Cash cow” and loss-makers

Chart 4 Bank coverage of costs for various payment services.  
Income as per cent of private costs. 2007.



Source: Norges Bank

**THANK YOU!**