

How can retailers increase the adoption of in-store mobile payment?

Based on an interview with Gwarlann de Kerviler and Nathalie T.M. Demoulin and their article* “Adoption of in-store mobile payment: Are perceived risk and convenience the only drivers?” co-authored with Pietro Zidda (*Journal of Retailing and Consumer Services*, 2016).

Smartphones are revolutionizing retailing, with shoppers using their mobile devices to search for information about products, compare prices and ask friends’ advice. On the other hand, however, consumers have yet to adopt mobile payment services very enthusiastically. This study looks at the drivers for this behavior and offers practical recommendations to retailers.

Biography

Gwarlann de Kerviler joined IÉSEG School of Management in 2013 and is an associate professor of marketing. She holds a PhD from the University of Paris Dauphine. Nathalie Demoulin has been an associate professor of marketing at IÉSEG since 2001. She holds a PhD from the Catholic University of Louvain, Belgium, where she researched the decision-making of marketing managers.

Methodology

The authors conducted an online scenario-based survey of 363 French smartphone owners who had made at least one online purchase in the previous year. The participants were told to imagine that they wanted to buy a digital camera, and then were asked about their intention to use their mobile phone at different points in the shopping process: before entering a store, in the store to find information about products, and finally for payment. Participants were randomly assigned to answer questions about the benefits and risks of using a smartphone during one of the last two stages of the scenario.

Almost 80 percent of U.S. smartphone users are also mobile shoppers, which means they use their mobile devices to check on prices and discounts, search for product information and reviews, compare product features and ask friends for their opinions. And yet, only a small percentage of these individuals also use available mobile payment services. Retailers such as Best Buy and Macy’s and smartphone manufacturers such as Samsung and Apple — which offer mobile payment systems — would obviously like to change this state of affairs. “Why are consumers not using smartphones for payment when they are using them for many other things?” De Kerviler asked. “That was the starting point.”

Benefit-risk analysis: pleasure is important

The study’s researchers sought to determine the perceived utilitarian, hedonic and social benefits, as well as the perceived financial and privacy risks that drive the adoption of mobile payment services.

“One surprising finding was that the hedonic benefits [for the use of mobile payment] were pretty high,” said De Kerviler, “meaning that the pleasure of the experience was seen as very important by consumers.” How is paying for merchandise with a smartphone fun or enjoyable? Demoulin speculates that it is “hedonic due to its novelty. If we compare mobile payment and information search, we see that enjoyment and social benefits have a higher influence on mobile payment than on information search.” Respondents may have also felt that the use of a new technology makes a good impression on others, thus offering social benefits.

Practical concerns are important too

Also on the plus side, respondents perceived utilitarian benefits to in-store mobile payment that would make transactions easier. However, some were still preoccupied by perceived risks to privacy, such as the possibility that others might gain access to their bank accounts. In addition, they were concerned about potential financial risk if the transaction did not proceed correctly.

Creating a seamless customer experience

A unique aspect of the authors' research compared to previous studies is that it sought to determine a "spillover" effect between the more common use of smartphones to search for product information and the adoption of in-store mobile payment. If a customer has already used a smartphone in early stages of the buying process, the researchers established that there is a higher probability that they will use it for payment. So their word to the wise retailer: "It's important to create a relationship with customers when they're searching for information, and then create an easy, direct connection with a payment platform, so the customer will feel it is a seamless transition," advised De Kerviler.

Practical applications

"Retailers first need to make sure that they communicate on the right benefits and risks," said De Kerviler. They should reassure customers about financial and privacy risks while promoting the experiential and hedonic benefits of in-store mobile payment. They may do this by using mobile apps to communicate with customers early in the process to seamlessly lead to mobile payment. New uses of geo-localization make it possible to communicate information and financial incentives to customers at earlier stages of the in-store experience and then, at the final purchasing stages, promote mobile payment solutions.

Other ways of making the buying process appealing include associating mobile payment with visual or aural interfaces that stimulate the senses. The use of mobile payment could give customers a more surprising experience, such as the possibility of playing a game, or offering information on how many points were earned for the store's loyalty program. "Mobile technologies make it possible to find ways of creating some pleasure at a time (payment) not usually associated with pleasure," notes De Kerviler.

About IÉSEG School of Management: Established in 1964, IÉSEG School of Management is one of the top business schools in France, and ranked 17th in 2016 in the Financial Times ranking of Master in Management Programs. As a French Grande École and member of the *Conférence des Grandes Écoles*, IÉSEG is one of the most prestigious higher education institutions in the country. It has also been awarded the triple crown of international accreditations: AACSB, AMBA, and EQUIS.

The School currently has 4 800 students at its two campuses; the historic campus in Lille and at Paris at La Défense, Europe's biggest business hub. Bachelor, Master of Science and Post-graduate Programs at IÉSEG are taught in English. IÉSEG collaborates closely with the largest institute of research in Europe, the French National Centre for Scientific Research (CNRS). 84% of IÉSEG's permanent faculty is international, and the school has a network of more than 260 partner universities in 66 countries

Website: www.ieseg.fr

* *Adoption of in-store mobile payment: Are perceived risk and convenience the only drivers?* , Journal of Retailing and Consumer Services (2016), Gwarlann de Kerviler (IÉSEG), Nathalie T.M. Demoulin (IÉSEG), Pietro Zidda (University of Namur).

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