Retailer Adoption of Mobile Payment: A Qualitative Study

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ABSTRACT

This qualitative study aimed to identify the motivating factors and the challenges related to the adoption of mobile payment (mPayment) by small business retailers. Data collected from semi-structured personal interviews with a small group of participants were analyzed applying a content analysis approach. The findings indicate that retailer demand for mPayment was motivated mainly by perceived customer expectations for a convenient (faster) way to pay using the ubiquitous mobile technology, as well as by the perceived efficiency of mPayment leading to revenue increase. Challenges to mPayment adoption included, among others, the need to compete with already established point-of-sale payment technologies and the lack of information about mPayment leading to uncertainty about its comparative advantages. The study contributes to the body of knowledge by developing and exploring a merchant oriented mPayment adoption model. The factors identified as adoption drivers and challenges provide an insight into New Zealand retailer perspectives on mPayment, and the grounds for recommendations to mPayment service providers.

Keywords: Adoption, Content Analysis, Customers, Merchants, Mobile Payment (mPayment), Retailers, Small Business, Small Business Enterprises (SMEs)

INTRODUCTION

Mobile payment (mPayment) is commonly considered from a technology perspective, with an emphasis on the technology used to conduct a transaction. For example Góдор, Faigl, and Szalay (2009) define mPayment as “... the process of two parties exchanging financial values using a mobile device in return for goods or services.” The definition also highlights the involvement of two major types of transaction participants, or stakeholders - customers and merchants. mPayment is a complex system and a number of other participants may be needed in order to support or manage the exchange – such as financial institutions and mobile network operators (Smith, Markendahl, & Andersson, 2010). Therefore a more inclusive approach would be to view mPayment as a transaction enabling mobile data service resulting from the interactions of the mobile service supply chain stakeholders (Petrova & MacDonell,
In line with its focus on small retailer adoption of mPayment, this study considers mPayment predominantly from a merchant/customer interaction perspective: a mobile phone based technology that enables payment in the purchase process.

In New Zealand mobile phones already serve as a replacement for many familiar devices such as cameras and satellite navigation systems. With respect to payment for goods and services the currently dominant form of conducting payment transactions is EFTPOS (electronic funds transfer at the point of sale) which is used by 90% of the population (EFTPOSNZ, 2012). However services that can be paid using the customer’s mobile phone are also available, e.g., paying for parking (Petrova & Mehra, 2010). While until recently mPayment in New Zealand was almost exclusively based on short text messaging (SMS) (Dholakia, Rask, & Dholakia, 2008) other mPayment initiatives have been launched as well. For example a contactless payment solution using NFC (near field communication) supported by MasterCard and the ANZ bank was offered on the market in 2011; it was aimed at popular fast food retail outlets and taxi cab companies (TVNZ, 2011). More recently the three leading mobile telecommunication companies (Telecom, Vodafone and 2 Degrees) and the four major banks (Westpac, ANZ, ASB, BNZ) introduced to the market an NFC based mobile wallet service that is being trialed by several large retailer chains and also by some cafes and small restaurants in Auckland (Dann, 2013).

Due in part to the strong interest of mobile network operators (Fletcher, 2012) mPayment systems may be on their way of becoming a prevalent payment technology: newer mobile phones models offered to customers are NFC enabled and ready to be used. With respect to where mPayment is going to be used the two examples above show that mPayment service providers target primarily the retailer industry sector and work with merchants to ensure that the appropriate payment terminals are installed. While customer adoption of mPayment globally and more specifically in New Zealand and Australian context has been explored and reported in the literature (e.g., Petrova & Mehra, 2010; Teo, Fraunholz, & Unnithan, 2005; Viehland & Leong, 2007; Viehland & Leong, 2010; Zmijewska, Lawrence, & Steele, 2004) there is still a lack of work that focuses specifically on the adoption of mPayment by merchant participants in the purchase process. The study presented here partially addresses this gap by investigating the perceptions of a selection of small retail business operators with the objective to find out whether they viewed mPayment as a suitable and an appealing replacement of EFTPOS and/or cash payment. The study adds to literature by extending merchant adoption research and by providing recommendations specific to the study context.

THEORETICAL BACKGROUND

A framework of factors that influence the market adoption mPayment is proposed in Dahlberg, Mallat, Ondrus, and Zmijewska’s comprehensive literature review (2008). The framework includes both outer (contingency) factors related to changes in the regulatory, socio-cultural, commercial and technological environments, and inner (competitive) factors related to the roles of customers, merchants and payment service providers as mPayment market users and suppliers, and factor associated with new and existing payment systems.

While contingency factors are outside of the control of the market it is important for decision makers to understand their impact when considering mPayment. Examples include the lack of standardization in mPayment technologies that may pose a barrier to the wider adoption of mPayment (Godbole & Pais, 2008), and the level of operator interoperability that may affect the level of trust in proposed mPayment solutions (Smith et al., 2010). In the case of small business enterprises (SMEs)
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