


Chapter 4

Digital Payment Systems and Their Transformative Role in Modern Marketing Strategies

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ABSTRACT

The rapid development of electronic payment systems has reshaped financial transactions and redrawn the boundaries of modern marketing strategies. This chapter explains how digital payment platforms such as mobile wallets, UPI interfaces, QR codes, and contactless payment solutions are revolutionising consumer behaviour, brand experiences, and the overall customer journey. By making transactions smooth, fast, and secure, these systems result in enhanced customer satisfaction and loyalty and enable real-time personalisation and data-driven marketing strategies. The chapter critically analyses the intersection of digital payments and marketing strategies, elaborating upon how companies leverage transactional data to strengthen targeting, segmentation, and optimisation of promotion campaigns. It further explains how payment solutions are incorporated into omnichannel retail spaces and the strategic consequences for customer engagement, trust, and brand differentiation.

INTRODUCTION

Digital payment systems are electronic platforms on which people and organizations can make monetary transactions without using money (Naeem et al., 2020).

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Such systems have completely changed the nature of exchanging value in the contemporary economy (Bowles and Gintis, 1988). Some of their financial tools and technologies are credit and debit card network, mobile payment applications such as PhonePay, Google Pay, Apple Pay, and Paytm, online banking portal, and peer-to-peer (P2P) money transfer applications such as PayPal and Venmo (Alam et al., 2019). Though being rather new to the field, cryptocurrencies and blockchain-based technologies are rapidly becoming an important disruptor in the industry by offering decentralized solutions to the conventional financial systems (Mikhaylov, 2020).

What is making digital payment system more special than the traditional cash and check-based transactions is the fact that it blends well with the digital world (Chen, 2004). They provide real time service, immediate transfer of money and reduce the transactional friction at a very high extent (Tadesse & Kidan, 2005). The most recent digital payment technologies are being supported by high-speed mobile internet, high-level encryption, scalable cloud computing, and adaptable application programming interfaces (APIs) that guarantee convenience, protection, and velocity (Khan et al., 2013). The usage of these systems has got far more purposes than what is limited to online shopping. They allow people to pay utilities, transfer wages to workers, subscribe to online content and services, make appointments and forward money anywhere in the world at the touch of a screen (Allen, 2006).

The position of digital payment systems has changed to something luxurious or convenient to the operations of the global economy to a necessity (Sumanjeet, 2009). They have experienced explosive growth in the past decade, which is stimulated by the emergence of e-commerce, the popularity of smartphones, high rates of digital transformation, and the necessity of contactless payment solutions in case of global health crises (George et al., 2023). Such features simplify the business in understanding their performance, strategies in marketing, and the ability to increase their customer base, even at international level (Javalgi et al., 2004). In the eyes of consumers, digital payments are more convenient than any other payment system (Olipane, and Inocencio, 2023). Customers are directly affected by the perception and satisfaction realized through the ease, speed, and transparency of the payment process (Islam, 2024). The time-saving checkout process also becomes a value proposition of the brand, which enhances loyalty and generates future interactions (Brakus et al., 2009).

They also minimize the expenditures that go to print and handling the cash, increase the visibility of the financial transactions, and aid in reducing the illegal activities through establishing a track of payments that is traceable (Dos Santos & Harvold, 2017). The regulatory authorities are also contributing significantly towards the formation of the digital payment environment (Putrevu and Mertzanis, 2024). As an illustration, open banking and data portability systems are empowering consumers with their financial data as they encourage new services to be created by

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