

Psycho-Analyzing the Self-Service Customer

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The changing habits of consumers, especially when it comes to purchasing decisions, is the subject of constant study for self-service deployers. MEI, which develops payment systems for a wide variety of applications, provides this exclusive report for KioskCom.com.



Hectic lifestyles and two-income households have led to a steady decline in “social time” these days. Impatient consumers would rather spend their limited free time with friends and family rather than waiting in line at a grocery store, bank, or other retailer. Self-serve systems are one solution. But, the ability to provide customers with self-serve options isn’t just about convenience; it’s a matter of retail survival.

In a recent survey of 1,000 U.S. consumers, Cap Gemini Ernst & Young (CGE&Y), Intel, and Cisco Systems found that buyer frustrations – including long checkout lines, lack of visible prices on products, and difficulty finding employees to assist with purchases – cause a significant number of consumers to walk out the door empty-handed. Retailers both in the U.S. and around the world are banking on advanced self-serve systems to put an end to this negative trend.

To maximize the return on investment and see a clear increase in sales volume, retailers must design their systems with buyers in mind. That means spending time and effort to understand their buyers' needs. The past few years have clearly shown that kiosks, self-checkouts and other self-serve system roll-outs have been most successful when the retailer carefully asked the following questions before launching into the design phase: How do my buyers make in-store purchases? What forms of payment do my customers use for varying purchases? Do my customers carry cash or credit cards, or do they prefer other form of payment, like debit cards or stored-value cards? Are my customers typically in a hurry, or do they have more time to shop? Are they familiar and comfortable with technology, or are they intimidated by it?

Money and payment systems are just as much sociological and psychological phenomenon as they are a financial mechanism. If electronic payment systems are to succeed in any retail environment, they must be accepted, and trusted, by customers. Like Dr. Abraham Maslow’s famous hierarchy of needs, the world of electronic payment systems must meet a certain hierarchy of behavioural criteria in order to gain customer acceptance:

- **Perception of Trust:** in the retailer, in the security of funds, in the payment system’s functionality.
- **Perception of Accessibility:** barriers to use are not too high.
- **Perception of Equity and Value:** that the payment system at a minimum provides a fair deal and offers advantages not available through face-to-face transactions, such as discounts or rewards.
- **Perception of Esteem:** that by using an unattended retail application, customers are discriminating and intelligent.

Source: Delaney & Erwin, “Electronic Payment Systems in Transportation: What Will the Future Bring?”

How do they pay?

If you can identify what form of payment your customers use to make various purchases, and why/when they make those payment choices, self-serve success is yours. Of course, there’s the rub.

In general, consumers use self-serve systems to pay for fast, relatively small purchases, and they make those payments in several ways. According to the June 2005 Banking Automation Report, about 75 percent of personal payments are still made with cash, albeit these transactions are typically for smaller amounts. Retail sales by payment can be broken down as follows:

- Credit, debit, prepaid, and electronic balance transfer cards -- 32.1 percent
- Cash -- 64.9 percent
- Invoice -- 3.0 percent

Why, though, don't consumers simply pay the same way all the time? Studies show that many customers prefer to use cash for some types of purchases and credit, etc. for others. However, the biggest reason for payment inconsistency is simply the fact that not all purchases are created equal.

The type of purchase largely determines how consumers pay for that item. According to McNally & Day researchers and the London School of Economics, most purchases fall into one of the following groups:

- **Impulse** - Impulse purchases are unplanned purchases that consumers typically make when they are shopping for something else. These purchases can be low or high in cash value.
- **Distressed** - The car breaks down. The water heater bursts. Distressed purchases must be made quickly, and leave little time for research or comparison-shopping.
- **Low-Value** - Low-value purchases are purchases that are low in price, such as snacks, video rentals, etc.
- **Repetitive** - Repetitive purchases are weekly or monthly, budgeted such as groceries and utilities.
- **Luxury** - Luxury items are items that consumers don't actually need, but that they want such as vacations, real estate, flat-screen televisions.

The McNally and Day study shows that there is a clear link between types of purchases and the payment method selected. The following chart lists this relationship.

Payment & Purchase Types

- **Impulse:** Low value - Cash
 - High value - Credit
- **Distressed:** Low value - Cash
 - High value - Credit
- **Low Value:** Cash
- **Repetitive:** Debit
- **Luxury:** Planned - Cash
 - Unplanned - Credit

Another factor that determines payment methods is the size of the transaction. As the world's top developer of cash acceptors for the retail, vending, amusement, transportation industries, MEI has studied more than 2 million transactions in different purchase environments, and found that payment type is inversely proportional to the value of the purchase:

Transaction Value **% Cash Payments**

\$10	99%
\$20	94%
\$40	86%
\$60	67%
\$100	43%

Additional factors that influence payment choice, include:

1. Customer's social status
2. Customer's age
3. Customer's employment
4. How customers receive their salaries
5. Where the transaction takes place
6. Whether there is a bank or ATM located nearby to access cash
7. The time of day, day of the week, and season
8. Ownership of a bank account

For a kiosk or self-serve system to accommodate its "consumer access" business model, it is critical for it to meet the varied needs of as many consumers and as many purchase types as possible. This demands payment choice.

How do customers approach technology?

Still an entirely different set of factors significantly affect whether or not consumers will accept an electronic payment system. According to "A Survey of User Attitudes Towards Electronic Payment Systems," (Dennis Abraszewicz, IPO, Center for User-System Interaction, Technical University of Eindhoven, 2002), which surveyed daily users of payment systems including debit, credit cards, smart cards, and cash, the following characteristics are key to user acceptance:

Applicability - 85.5% of respondents report that a good retailer should offer customers the choice to pay with any form of currency they like, while 38% of the respondents prefer to pay with cash at unattended POS applications.

Anonymity - Loss of privacy is a big concern among users of unattended payment systems. 13.5% of the respondents reported that they are very concerned that vendors can register their purchases, and only 52.2% of the respondents reported that they are satisfied with the level of anonymity provided by debit and credit cards.

Efficiency - In unattended points of sale, the ability of the payment system to accept small payments rated high. Most unattended payment systems are geared towards customers who want to get into a store, grab a few things, and out again in a hurry. To implement a self-service payment system that didn't accept small payments would likely defeat its purpose.

Ease of use - Not surprisingly, this area rated very high. For online payments 75.2% of customers surveyed preferred debit cards, while only 10.4% preferred cash. In POS applications, though, the preference for cash is higher, based on the nature of the transaction and consumers' desire for security and anonymity.

Security - The threats of credit theft and identity fraud have catapulted security to the forefront of consumer consciousness. In fact, 98.4% of the consumers surveyed listed payment security as a key factor to payment system acceptance.

Reliability - 53.5% of the respondents reported experiencing malfunctioning debit card readers, while 18% reported transaction failures and 32.5% reported card rejections. Yet, 15.1% of the respondents prefer using cash due to its higher reliability.

Trust - The survey found that consumers are more likely to use a system that is introduced only by an established, reputable retail chain that they have already done business with. A whopping 94.4 percent of respondents reported they won't use a system launched by an unfamiliar source.

Traceability - More than half of respondents prefer that no traces are left from electronic payments, including name, bank account, or address.

If electronic self-serve payment systems are to succeed in any retail environment, they must be accepted and trusted by consumers. To build this level of trust, retailers must take the time to get inside their customers' heads, do the research, and test the system before launching. Complete payment flexibility is the only way to avoid alienating customers, but don't stop with payment. Think about your whole self-serve system to determine if it is really serving your customers the way it must.

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