

The Impact of Payment Methods on Consumption Behavior

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Abstract: The evolution of civilization has led to significant transformations in payment methods, which in turn have a subtle impact on consumer spending behaviour. The selection of payment methods by individuals can have a significant impact on their expenditure choices, financial management habits, and overall expenditure encounters. This paper uses literary methodologies to investigate the influence of various payment systems on consumer behaviour and the determinants that shape the selection of different payment methods. The problems discussed in this paper offer valuable insights for enterprises seeking to enhance the precision of their marketing tactics, as well as for people seeking to effectively manage their personal finances and make informed business decisions. By implementing promotions tailored to various payment methods, companies may effectively captivate consumers, boost sales, and foster customer loyalty. By examining this subject, the behavior patterns and consumption decision-making process of consumers can be better understood, and the psychological mechanisms and economic principles behind the choice of payment methods will be deeply explored. The nature and mechanism of this topic remain intricate and deserving of further investigation.

Keywords: Payment method, Consumer behavior, Personal preference, Society, Business factors

1. Introduction

Consumers' payment alternatives are in a constant state of evolution due to the development and widespread adoption of payment technology. The decrease in the use of cash, the emergence of new payment technologies, and the increasing consumption level of people with the growing need for a better life have changed the traditional consumption concepts and preferences. Of all the groups, the group growing in the Internet era has changed the most significantly [1], which has produced new influences on consumption behavior. Therefore, it is imperative to perform thorough research on these influences. Rob Lawson and Sarah Todd examine the variations in payment methods among different demographic groups due to economic and identity disparities [2]. Lopez discusses the advantages and limitations associated with various electronic payment methods [3]. This paper uses literature methods to explore the impact of different payment methods on consumption behavior and the determinants that shape the selection of different payment methods. The problems discussed in this paper are helpful for enterprises to develop more accurate marketing strategies and individuals to

better manage their personal finances and achieve business decisions. It has made a significant contribution to study in this sector and has offered valuable reference values for it.

2. The impact of payment methods on consumption behavior

2.1. Influence of cash payment on consumption behavior

The utilisation of cash as a payment method might enhance individuals' intuitive perception of the precise expenditure, as currency possesses a tactile nature that is perceptible through sight and touch, hence facilitating a more intuitive reduction of costs. In contrast, the use of intangible payment methods such as credit cards or mobile payment, frequently engenders a lack of clarity in individuals' perception of expenditure, hence increasing the likelihood of engaging in excessive consumption. Several studies have indicated that individuals experience greater pain while making cash payments compared to electronic payment methods. This is due to the direct realization of monetary loss, which is not represented by abstract currency. In addition, the implementation of novel payment mechanisms has resulted in less perception of currency segregation during transactions, hence mitigating individuals' financial distress [4]. This suggests that the utilization of cash as a payment method may be more favorable in terms of individuals' ability to manage their finances, hence mitigating irrational expenditure.

Cash payment may have certain drawbacks. First of all, there is the problem of change. Due to the price difference, many countries, including Indonesia and Japan, rely heavily on cash for their purchases. Alternatively, the payment and change procedure may prove to be difficult, potentially resulting in the merchant's inability to furnish an adequate amount of change. Furthermore, the act of carrying substantial sums of money poses a heightened vulnerability to robbery in comparison to electronic payment methods, particularly in regions characterized by elevated crime rates. However, those who make payments in cash have a greater ability to regulate their expenditure patterns and prevent excessive spending and overdrawing. At the same time, cash payment is more simplified than electronic payment, reducing potential failures and delays, and is more suitable for the elderly.

2.2. Electronic payment and consumer behavior

Compared with mobile payment methods, electronic payment encompasses a broader range of options, such as credit cards, debit cards, online banking and other payment methods. When compared to cash payment, electronic payment systems have several advantages. Firstly, they allow for a reduction in the amount of currency carried, making it more convenient and secure. Additionally, they have the potential to decrease issuance costs, enhance resource utilization, safeguard plant resources, and decrease the consumption of metals and certain fuels. The conserved resources can be used in the production of other products [5]. The use of electronic payments could boost consumption by allowing consumers to pay for goods and services beyond their current means through credit cards. Such flexibility may lead consumers to make purchases more frequently. Electronic payment systems offer enhanced convenience, thereby mitigating the constraints imposed by temporal and spatial factors. Individuals are prone to escalating their consumption when compelled by immediate impulses and tend to purchase items or services of significant value. However, it is also more convenient to generate debt challenges.

At the same time, electronic payment can also reduce the amount of cash we carry and increase our security. However, there are also security risks. In the realm of electronic payment security in our nation, digital passwords are predominantly employed. However, a significant number of individuals opt for easily guessable numbers, such as their birthday or identity card number, as their passwords. This practice not only heightens the likelihood of password breaches by criminals but also undermines the overall security of electronic passwords[6]. Meanwhile, payment methods such

as bank cards may also be susceptible to theft. Hence, it is imperative for our nation to allocate additional financial resources and exert greater effort toward enhancing the upkeep of the network.

2.3. Mobile payment and consumption behavior

The advancement of technology has greatly enhanced the convenience of mobile payment. Big data not only enables us to shop at any time and in any location, but it also expands our options for shopping. Consumers can buy goods and services on various e-commerce platforms using mobile payment methods, without having to go to physical stores in person, resulting in time and energy savings. At the same time, the implementation of mobile payment systems will also alter people's consumer psychology. The mobile payment method eliminates the need for consumers to physically withdraw cash, making it easier for them to develop illusions. This, in turn, enhances the psychological satisfaction derived from consumption and leads to a disregard for the stinginess of payment and the actual value of the cost. The quality of products garners greater attention from consumers when they engage in cash transactions. However, while utilizing mobile payment, individuals tend to prioritize aspects such as the store's sales volume, level of praise, and pricing. It can be seen that different payment methods have changed consumers' consumption behavior[7].

Small-probability price promotions can be effective in stimulating demand, even more so than comparable fixed-price promotions[8]. Various promotional strategies implemented by different mobile applications, including initial registration incentives, consumption points, application-specific coupons, price reductions, and reward initiatives, have the potential to incentivize consumers to engage in mobile payment more frequently for their purchases. Consequently, this can lead to an augmentation in transaction volume and transaction value. With the implementation of incentives aimed at augmenting the user base and enhancing customer engagement, an increasing number of individuals are opting for mobile payment methods.

3. Influencing factors of payment method selection

3.1. Personal factors

Bem, Eagly and Chaiken and Kim and Malhotra defined habit effects on the basis of self-perception theory and pointed out that habits will guide the formation of an individual's attitude towards their behavior and thus affect their future behavior. Several research have indicated that the online purchasing behaviors and utilization of mobile services, mobile phones, and laptops among customers may influence their inclination towards adopting mobile payment methods [9]. Young individuals are more accustomed to using mobile devices, and hence, they are more accustomed to mobile payments than older people. Middle-aged and elderly people are more likely to use cash payment, primarily due to their limited range of activities, poorer information processing capabilities, and adherence to cultural customs. They could perceive cash payment as a more straightforward and manageable option. In order to protect personal privacy and anonymity, several individuals opt for cash payment as a means to minimize the preservation of personal transaction data and enhance personal privacy in comparison to alternative payment modalities.

Individuals with varying degrees of education exhibit distinct payment strategies, whereas those possessing financial acumen are more inclined to comprehend the merits and drawbacks associated with different payment options. By comprehending the characteristics, safety measures, expenses, and situations associated with payment methods including cash, credit, debit, and electronic payments, individuals can choose the payment method that best aligns with their requirements.

3.2. Social and cultural factors

In terms of social acceptance of different payment methods, different countries have different payment methods, and China is more accepting of mobile payment. In 2019, China achieved the highest mobile device usage rate globally, leading to a significant surge in mobile payment adoption in the country. Mobile payments have a low penetration rate in the United States, where credit cards are the main method of payment. According to Bain's Research Now Retail Banking Net Promoter Score Survey 2018, the top three payment methods in the U.S. are credit cards, cash and debit cards, only 9% and 6% of American citizens adopt Apple Pay and Google Wallet respectively, which has many influencing factors [9]. For instance, in the United States, the conventional credit and debit card payment systems have undergone significant advancements, whereas mobile payment is governed by stringent rules and security protocols. . At the same time, many consumers are skeptical about whether mobile payment can protect their privacy. In China, due to its late development time, the financial infrastructure of mobile payment is relatively backward compared with other developed countries when it appeared, so mobile payment fills this gap. The influence of diverse social cultures on consumption patterns is evident.

3.3. Commercial factors

Although merchants provide different payment methods, there are also popular payment methods. Statista reports that the payment methods most commonly used in stores vary across different countries. In the United States, credit cards are often regarded as the predominant payment method, although cash holds greater popularity in India, and mobile payment is more prevalent in Germany [10]. As the emphasis on payment methods changes, stores will adjust, just as stores that emphasize credit cards and mobile payments will reduce the amount of advanced storage, while stores that prefer cash will increase the amount of cash in all denominations. In conclusion, this enables various nations to ascertain their favored modes of payment.

Businesses will implement various preferential practices to stimulate consumption and encourage it. There may be restrictions on cash offers and promotions, and businesses may provide cash discounts or refunds as a means to incentivize consumers to increase their cash usage. For electronic payments, merchants offer specific credit card payment benefits and promotions, such as point returns, cash back or discounts. In terms of mobile payment, merchants who shop through Alipay or wechat Pay can benefit from various incentives such as discounts, red envelopes, or points prizes offered by certain shops or platforms. It can be seen that e-payment and mobile payment are easy to improve customer stickiness.

4. Conclusion

In conclusion, various payment mechanisms exert a significant influence on consumption patterns across individual, societal, commercial, and other domains. Currently, the examination of various payment mechanisms in this work lacks comprehensiveness, necessitating more investigation. The expertise I acquired during my undergraduate studies is overly broad, the approach employed is very uncomplicated, and the present perspective lacks comprehensive analysis. Hence, I aspire to undertake a more extensive and meticulous investigation into the impact of diverse payment modalities on consumer behavior in both my forthcoming academic pursuits and personal endeavors. In order to solve the shortcomings of this study, the future development direction will be proposed, the scope of literature research at home and abroad will be expanded, comparative analysis will be carried out, and in-depth research will be carried out, while paying attention to the combination of theory and practice. Despite the existence of a substantial body of scholarly literature pertaining to payment methods, the investigation into the influence of payment methods on consumer behavior

remains in its nascent phase, presenting opportunities for further advancement. This area of research holds significant relevance for the future development of both society and enterprises.

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