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Transaction convenience in the payment stage: the retailers' perspective

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Abstract

Purpose – The purpose of this paper is to shed light upon how retailers view alternative payment forms and to what extent they are willing to risk offending their customers by imposing payment restrictions.

Design/methodology/approach – This exploratory study consists of three consecutive parts: first, 100 situations of paying for goods or services; second, interviews with 25 of these 100 retailers; and third, observations at a meeting between retailers and bank representatives on various aspects of card and cash payments.

Findings – Retailers are unwilling to risk offending their customers and do not normally undertake any actions to affect the customers' choice of payment form, except for proactively or reactively excluding the use of certain expensive credit cards, and card payments for small amounts. The retailers only take the risk of causing customer dissatisfaction when they feel that the sacrifice for not doing so is too costly, and in these cases the salespersons act very late in the purchase process. Other aspects than payment costs (such as safety, time and environment) seem to have little impact on individual retailers' actions at the payment stage.

Research limitations/implications – The present study focuses solely on the retailers' point of view on the payment stage, implying a need for additional research on customers' and bank representatives' views on the same matter.

Practical implications – Retailers try to nurture their customer relationships also when they are proactive or reactive, i.e. by pointing to the high cost of a particular payment form and/or asking customers to help with small change. Sending signals that invite customers to assist may not only be a way to affect how customers pay, but also foster relationship development.

Social implications – It seems that environmental costs have not filtered down to the firm level, at least not in an observable way. Any further move towards a "cashless society" has to emanate from other sources.

Originality/value – No previous study has focused on the way selling companies approach their customers at the payment stage in terms of proactive, reactive and inactive behaviour.

Keywords Sweden, Customer service, Retailers, Cash free society, Payment forms, Transaction convenience

Paper type Research paper

1. Introduction

This paper focuses on the transaction part of service convenience (Berry *et al.*, 2002). Transaction convenience deals with the activities that consumers need to complete to acquire the right to use a certain product or service (Thuy, 2011) and we specifically address the payment stage. The payment alternatives have grown in number, making the payment stage increasingly complex as the associated advantages and disadvantages are hard to estimate and evaluate for both retailers and customers.

The customers' choice of payment form may affect the retailer in different ways. For example, the use of some credit cards comes with large fees and retailers may therefore wish to ban such payment forms. To impose such restrictions on the

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customers might, however, reduce the customers' transaction convenience and cause "negative disconfirmation" (Oliver, 1977, 1980) if the service is below expectations. This creates a dilemma for the retailer: should (s)he accept a high fee (and thereby a reduced margin) to please the customer or risk offending the customer by demanding another payment form? If the retailer chooses to apply a restriction, a salesperson usually acts as an intermediary, informing the customer about the rules for payment. The payment stage thus comprises two key dimensions: the personal interaction between the salesperson and the customer, and the transfer of money. Consequently, as any successful service encounter, it requires both pleasant social interaction and efficient task completion (Lusch *et al.*, 2007).

However, despite the dilemma faced by the retailers regarding the acceptance or not of different payment forms, most research has focused on how customers perceive various payment alternatives (e.g. Borzekowski and Kiser, 2008; Ching and Hayashi, 2010; Humphrey, 2010; Klee, 2008). The retailers' point of view and their possible actions to affect the customers' choice of payment form has received minor attention. An example is that in a review of key areas that had been studied and published in the *Journal of Retailing* between 2002 and 2007, no such study was reported (Grewal and Levy, 2007). This context sets the scene for our research. Since the payment stage is part of every transaction, we argue that it is an important topic for investigation and we are not aware of other studies empirically addressing transaction convenience from the angle of retailers' perceptions and acceptance of various payment forms. We address this gap, by exploring how retailers view alternative payment forms and to what extent they are willing to risk offending their customers by imposing payment restrictions. This research thereby contributes to the transaction convenience literature by clarifying the retailers' dilemmas and the alterative actions that they may make use of.

The remainder of the paper is organized as follows. In the frame of reference section, we first look into the literature on the importance of personal interaction for customer satisfaction, then follows a review of card and cash payment forms. Next, the method section deals with our methodological approach and the three, consecutive, data collection steps. Thereafter, the findings are presented, followed by a discussion, conclusions, limitations, implications and suggestions for further research.

2. Frame of reference

2.1 The personal interaction between salesperson and customer

The customers' experience of the exchange, and the subsequent degree of customer satisfaction, is in many ways an outcome of the interaction between the company staff and the customer (Wong and Sohal, 2002). Although there are other crucial factors-such as what brands the company is carrying, reputation, image, timing, competition, etc., pleasant encounters between the company and its customers are in the long run, in the majority of cases, crucial for survival and prosperity (Gummesson, 2003; Price and Arnould, 1999).

In the payment stage of the transaction, salespersons usually interact with customers and enjoyable interaction with the salesperson is likely to enhance customer satisfaction (Gremler and Gwinner, 2000; Guenzi and Pelloni, 2004). The role of the salesperson as a "part-time marketer" has been stressed (Gummesson, 1987, 1991). However, it has also been found that if the salesperson introduces atypical behaviour, such as proactive selling, it may "break the spell" of previously established social rapport (Ku *et al.*, 2013; Söderlund, 2013).

Connections between salespersons and customers can develop also in brief transactions of a repetitive nature (e.g. weekly interactions with a dry cleaner, Czepiel, 1990). Regarding the structural aspect of the salesperson-customer interaction, it has been observed that relationships primarily develop between these parties but that customer loyalty partly will transfer to the company in question (Beatty *et al.*, 1996). In many contexts, self-service oriented ones in particular, the main interaction between salespersons and customers takes place during the payment stage of the exchange. It is therefore not surprising if retailers try to make this stage of the exchange a smooth and pleasant one. If, however, the retailer applies restrictions on the payment form, the salesperson have to inform the customers about it during the payment stage, thereby risking offending their customers (Oliver, 1977, 1980).

2.2 Convenience-oriented customers

A convenience-oriented customer has been defined as one who seeks to "accomplish a task in the shortest time with the least expenditure of human energy" (Morganosky, 1986, p. 37). Since the customer is a co-creator of value (e.g. Vargo and Lusch, 2004), the customer is also a co-creator of his or her convenience in the payment stage. At the time of introduction, card payments took longer time to transact than cash payments. This time gap has diminished but may still prevail in some cases depending on the equipment used and the time of the day and year as rush hours and shopping-intense holidays like Christmas may cause a data-transfer overload that increases the processing time of card payments. People differ in their sensitivity to time-related issues but fast checkout in a shop is an example of service convenience in the payment stage that reduces non-monetary costs of buying (e.g. Peritz, 1993).

In many service encounters, the salesperson has to perform "emotional labour" (Hochschild, 1983; Pugh, 2001) in that (s)he is expected to foster feelings of contentment and satisfaction in the process of customer interaction. But what if we turn the situation around and let the retailer (represented by the salesperson) ask for a favour? Gremler and Gwinner (2000) found that customers may develop strong bonds to shop assistances and care for their well-being. Human beings tend to feel satisfied when those in our presence are feeling good and vice versa (Rapson *et al.*, 1994). By providing a favour the customer may feel satisfaction in the form of an "I'm glad to have been of help mood". In the context of the payment stage, offering the customer an opportunity to do the salesperson, and thus the retailer, a favour by using a certain payment form could then, potentially, be a way to please the customer. However, and perhaps more likely, the customer might be offended that full service, in the form of a non-interfered choice of payment form, is not provided. The salesperson might also have to spend time on explaining the reasons for the request, thereby increasing the time of purchase for the customer, and perhaps also for other customers waiting in line. This may cause irritation among convenience-oriented customers. Such considerations therefore represent a delicate balancing act for the salesperson and the retailer.

2.3 Card and cash payments

Ever since card payments were introduced in the mid-twentieth century, a "cashless society" has been envisaged and propagated for on the basis of security aspects, environmental aspects and socioeconomic aspects (Garcia-Swartz *et al.*, 2006; Huggins, 2000). Storing cash in shops or banks as well as the transportation of cash to banks or cash centres implies an exposure to risks of robbery and assaults. The handling of cash may also be associated with many miles of transportation and thereby also with pollution and environmental damages. Finally, there are substantial costs for transportation, production and destruction of cash as well as for the counting of both deposits and withdrawals from banks or cash centres and of the daily receipts in shops.

Even if cash payments offer advantages to the consumer in terms of privacy, smoothness and control, electronic payments instruments, such as debit and credit cards, have been gaining ground (Garcia-Swartz *et al.*, 2006). Debit and credit cards reduce the risks of robbery and assault as not only the card but also a PIN code or signature is needed for usage. From an environmental aspect card payments are clearly favourable to cash. Some electronic devices are necessary but otherwise the pollution effect is low.

The initiation costs for card payments are fairly high but thereafter scale effects kick in as the true cost per transaction becomes less the more cards that are put into use. Consequently, card issuers have tried to increase card usage, for example by introducing various bonus systems for consumers related to the extent of usage. Credit cards also provide the card holder with an option to borrow and thereby represents a way to prepare for the eventuality of unanticipated costs or income reductions (Brito and Hartley, 1995). However, using cash for small amounts may still be a more cost efficient form of payment from a societal point of view (Bergman *et al.*, 2007).

When surcharging consumers for card use is not allowed (which is the case in Sweden, the context of this study), card payments may be more costly than cash payments for the selling company, especially when the more costly cards are used. Retailers have questioned both card fee levels and the card fee structures (Shy and Wang, 2011). This opinion had been supported by regulators claiming that retailers have to pay "unjustifiably high fees" for card payments while "banks issuing payment cards provide consumers with below-cost services and loyalty rewards [...] encourage customers to overuse payment cards [...] merchants shoulder the cost" (Garcia-Swartz *et al.*, 2006, p. 176). From the consumer's point of view, however, the service seems to be "free" since consumers usually pay a fixed cost on a yearly basis for the card usage. Even if the consumer is aware of that the use of a specific credit card is expensive for the retailer, (s)he may still prefer to use that card since usage often brings financial loyalty rewards while the cost is distributed over all customers of that shop in the form of higher prices or borne by the retailer in the form of a lower profit.

As pointed out above, several aspects may have an impact on which actions retailers take regarding their customers' choice of payment forms. On the one hand, offending their customers by imposing payment restrictions may cause customer dissatisfaction. On the other hand, in certain situations it can be necessary to risk offending the customers in the payment stage for financial or safety reasons. Such decisions, i.e. balancing acts, are complicated, and someone who is subjected to a large amount of information from various sources may be affected by so-called information overload (Schick *et al.*, 1990). An individual who acts under information overload will use less information for the decision making than (s)he otherwise would have done, and the information processing tends to become limited (Bawden *et al.*, 1999; Hwang and Lin, 1999).

3. Method

This paper focuses on the Swedish context where card payments by debit or credit cards dominate the payment system. According to the Swedish central bank, Sveriges Riksbank, the value of cash (coins and banknotes) in circulation in Sweden has fallen from 9.6 per cent of GDP in 1950 to 2.7 per cent of GDP in 2011. In comparison, in 2011 the figure for the USA was 7.1 per cent and for the UK 3.7 per cent (Riksbank, 2013). Furthermore, according to a survey commissioned by the Riksbank in the autumn of 2010, 59 per cent of the respondents said that they preferred to pay in cash for sums below SEK 100[1]. For sums between SEK 100 and SEK 500, 22 per cent preferred cash. Moreover, slightly more than nine out of ten individuals in the Riksbank's 2012 interview survey responded that paying by card in a store is quick and easy (Riksbank, 2013).

Considering that there are few studies conducted within the area of payment forms from a retailer's perspective, we conducted an exploratory study. In doing so, we focused on relatively small retailers in the Mid Sweden region: more precisely in the Västernorrland County. To investigate how retailers act in the payment situation, we applied a qualitative methodological approach in three, consecutive, steps.

The first point of departure was to start in practice by studying salespersons in action at the payment stage. We therefore carried out "undercover research" in our daily life as customers in the County between March and September 2012. This is a method previously used within several fields of research, often with simulated clients/customers in standardized situations (e.g. Madden *et al.*, 1997; Wilson, 1998). Our approach was less standardized, utilizing every day, real-life, situations and varying forms of payments, i.e. we used cards for small sums and cash for larger amounts, and we also tried the opposite approach. However, we did not use the most expensive credit cards as, for example, American Express.

The aim of this part of the investigation was to observe if the retailers tried to affect the customers' choice of payment form. We were thus probing for "true representations" of the retailers' messages to their paying customers before a transaction. If no particular instructions or restrictions were given, we asked if they had any opinion on the matter, i.e. if they preferred a certain payment form even if we initially were given a free choice. This resulted in 100 retailer encounters and payments ranging from SEK 50 to SEK 1,000 using varying payment forms.

In the next step we wanted to know more about the reasoning behind the absence or presence of instructions or restrictions on payments forms. We therefore interviewed representatives of 25 of the 100 retailers visited in the first step, looking for similarities and differences, since cases in comparative studies may be selected because of their differences (Djelic, 2004). The 25 selected retailers were interviewed between April and October 2012, and are presented in Appendix 1. Some of them are solely dealing in goods while others include services to a varying extent. They are in different industries, of different size (turnovers between 0.6 and 24.9 MSEK), provide goods and services in different price ranges, with varying payment frequency, and have varying locations. In this part of the investigation, we selected proportionally more companies which did take action than which did not in the "undercover research".

We followed the advice from Eisenhardt and Graebner (2007) and mitigated the likelihood of biased results by using knowledgeable respondents: the owners of the selected companies, either alone or together with the person responsible for the company accounting. A semi-structured interview guide was outlined before the interviews and areas of interest were encircled along with some explicit questions. The questions (Appendix 2) were based on the literature review but we tried to have an open attitude towards the respondents, allowing them to speak as freely as possible. The interviews were carried out on the site of each respondent and lasted about 45 minutes each. In each case, notes were taken.

Finally, to find additional empirical evidence and to further check our previous findings, we participated, as observers, at a meeting in October 2012, arranged by the retailers' association "Svensk handle" in the region. The arrangement included about 50 retailers and four bank representatives and focused on costs and safety aspects of cash and card payment forms.

For the data analysis, we used an abductive approach (Järvensivu and Törnroos, 2010) as recommended for case studies by, for instance, Dubois and Gadde (2002). The empirical basis was continuously verified, both internally, by reconciling "undercover research", interviews and meeting observations, and externally, by linking with the theoretical framework. This work took place continuously and in several cycles. We looked for commonalities, key themes and patterns, but also for contrasts and irregularities to identify the full range of the material regarding the retailers' views and actions (cf. Coffey and Atkinson, 1996).

Regarding the "undercover research" part of the investigation, each researcher acted as customer in 30-40 cases, and summarized the main message from each company. In addition, any instructions and restrictions were noted. In a following step, we categorized all 100 retailers' main messages and related instructions and restrictions into four categories: strictly proactive, partly proactive, reactive and inactive. A strictly proactive behaviour indicates that the company had decided to exclude one of the card or cash payment alternatives and had made that clear to the customer from the start, by use of a sign or verbally. A partly proactive behaviour means that the company had decided to exclude the use of certain payment forms or certain payment forms at certain occasions, but had delayed that information as long as possible, i.e. not by not providing this information if the customer did not seem to choose any of the banned payment forms. A reactive behaviour means that the company kindly urged, but never forbad, customers to avoid certain payment forms if the customers showed such intentions. An inactive behaviour indicates that the company did not try to influence the customers' choice of payment form at all.

The interview data were analysed in two steps. Immediately after each interview, the interviewing researcher transcribed the notes taken, summarized the impressions and noted down preliminary interpretations. Also, preliminary categorizations of the answers were made according to the main areas of the interview guide. The next part took place when the researchers had read the summarized notes and categorizations from all interviews, and gained a distance in time to the interviews. In this part of the process, the researchers first separately reviewed their initial categorizations and analyses, and then jointly formed the final categorizations and analyses. This second round of analyses gave partly different patterns compared to the initial ones, which suggests that this two-stage approach significantly contributed to the analytical work. The comparisons furthermore reduced the risk of researcher effects on the data analyses.

The retailer/bank meeting was summarized by one of the researchers. At this stage, some preliminary analysis of the "undercover research" and interview data had been made that could be validated through the discussions that took place at the meeting.

4. Findings

4.1 "Undercover research" data

The approaches encountered in the initial part of the investigation were classified into the categories strictly proactive, partly proactive, reactive and inactive (see Table I). In a few cases (6) the salespersons told us directly to pay by card or by cash (strictly proactive behaviour). These companies had chosen either the cash or the card payment form and did not allow the other alternative. A larger number of salespersons (23) did influence our choice of payment form, at the payment stage or in response to our question, by telling us that certain expensive credit cards were not allowed and/or that cash payments for small amounts were required (partly proactive behaviour). On a number of occasions (13) the salespersons, in response to our question, almost reluctantly informed us that the company usually kindly urges customers not to use expensive credit cards and/or pay with cash for small amounts if that situation arises (reactive behaviour). For the partly proactive and reactive approaches, the restrictions were thus mentioned very late in the purchase process, indicating that the salespersons only influenced their customers' choice of payment form if it was perceived necessary, for example if a customer tried to pay with an expensive credit card not allowed in the shop. A passive majority (58) did not try to influence our choice of payment form at all (inactive behaviour). Even when asked for an opinion on the payment form, these salespersons maintained with a reassuring smile that: "it does not matter" or "it is up to you".

4.2 The interview data

4.2.1 Five different approaches. In the second part of the study, the interviews confirmed the findings from the "undercover research", but they also allowed us to dig deeper into the considerations behind the various approaches and revealed an approach that had not been previously detected. Table II illustrates the different types of behaviour, including the new, fifth, approach applied by retailers combining partly proactive behaviour with a reactive approach, for instance by combining signs at the till informing about the range of accepted credit cards with verbal wishes of cash payments for small amounts. These cases had not been discovered in our "undercover research", maybe because none of these particular payment situations had been the case at the time, maybe because the salesperson wanted to keep up the "full customer service front" as long as possible. The second explanation is in line with information

Table I.
One hundred retailers' approaches at the payment stage according to "undercover research" data

Behaviour	Approach	Number
Strictly proactive	Strictly influenced the customer's choice of payment form	6
Partly proactive	Partly influenced the customer's choice of payment form	23
Reactive	Tried to influence the customer's choice of payment form	13
Inactive	No attempt to influence the customer's choice of payment form	58
Total		100

Table II.
25 retailers' approaches at the payment stage according to interview data

Behaviour	Approach	Number
Strictly proactive	Strictly influence the customer's choice of payment	3
Partly proactive	Partly influence the customer's choice of payment	8
Partly proactive and reactive	Partly influence and try to influence the customer's choice of payment	3
Reactive	Try to influence the customer's choice of payment	4
Inactive	No attempt to influence the choice of payment	7
Total		25

provided by several respondents, the travel agency in particular, who informed us that when they previously had tried to ban expensive credit cards, the salespersons were reluctant to enter into such discussions with their customers who often had some kind of bonus to gain from using such cards, which was especially tempting when larger amounts would be paid.

4.2.2 Keep the customer happy. The dominating strategy among the retailers was to give their customers the right to decide how to pay as far as possible. They had noted that most young adults pay by card only, whereas some customers, mainly elderly consumers, only pay by cash. Consequently, 22 of the 25 retailers had decided that both card and cash payment forms had to be offered (see Appendix 1). However, the most expensive credit cards were excluded by several of them, indicating that the cost aspect of the various payment forms is of importance for the retailers' behaviour at the payment stage.

When the retailers decide to act, they do it very late in the payment process. A reason for that, mentioned in the interviews, was that they hoped that the customers would pay in accordance with the retailers' wishes. In that case they could avoid risking offending their customers. Giving the customers a payment choice in terms of "it is up to you" was perceived to increase the possibilities to avoid customer dissatisfaction. Only if it was necessary to act, i.e. when a customer wanted to pay in a too costly way, the salespersons had to inform the customer that the particular payment form was banned and explain why this was the case.

Our interview data also indicate another interesting way to make customers feel good, namely that customers often are willing to take the situation of the retailer into consideration and be of help if they can, not least as a result of the reactive behaviour of a salesperson. For example, some retailers reported on customers supplying coins during the payment stage when the shop was running out of cash. In such situations the salespersons did not hesitate to ask for cash payments, including as many coins as possible, and most customers gladly complied if possible. One retailer (a haberdasher) even reported on customers bringing sorted coins to the shop as a helpful service after being told about the high cost that the shop had to pay for the needed supply of coins. Likewise, we were told:

> It happens that customers try to be helpful and happily tell me that they had time to go to the ATM and withdraw cash for their payment. Then I usually point out that they are welcome to pay by card next time since that is very smooth for me and so they do (hairdresser also selling hair related products).

This quotation indicates that some customers, at least at times, may take pleasure in being able to render such services.

4.2.3 The retailers' views on cash vs card payment forms. For the three strictly proactive companies, the cost aspect was the dominating one but it had led to different decisions. Two small companies (a car repair/spare parts shop and a cinema/kiosk) judged the costs of card payments, and the equipment that would have to come with it, as too expensive for their small businesses. They had therefore excluded cards as a payment option. The third strictly proactive company, a telephone shop of a bigger size than the two former companies, had arrived at the opposite conclusion. It had decided to only accept card payments, and also to ban the most expensive credit cards.

Appendix 1 further clarifies that in spite of the variance in retailer characteristics, card payments dominated for all but four of the 25 retailers interviewed. Two companies, a kiosk and a tea and coffee shop, had an even distribution between card and cash payments and the car repair/spare parts shop and a cinema/kiosk had banned card payments.

Card payments imply costs for equipment and fees, but also the handling of cash was associated with high costs as it, for instance, requires administration and security solutions, so in the end most respondents regarded the cost aspect as fairly equal between these two payment alternatives except for the most expensive credit cards. The retailers also found it hard to separate between debit and credit cards at the payment stage as the customers often would not be able to tell the difference. They may, for instance, have a card allowing a credit but not use it on that occasion. A rather general perception of the costs of various payment forms was summarized by one respondent as follows:

> We do not care, all is costing us money (paint and wall paper shop owner).

With the cost argument dismantled, the card payment advantages of safety and administrative smoothness made them prefer a card payment dominance. The smooth, physical transfer of money to the bank account was seen as the major advantage. More card payments also meant less cash in the store and thus fewer trips carrying cash to cash deposits, in sum a reduced risk for robberies and assaults and less administration. For some, the card ratio had reached a level at which further safety from increased card payments were no longer of major importance. Others, however, felt stress in transporting their cash to the cash deposit areas and would prefer a further increase in card payments for that reason:

> I feel vulnerable in entering the deposit room, everyone knows that whoever goes in there carries cash and the room is unmanned (children's clothes shop owner).

In contrast, maintaining the cash payment option was motivated as a service to the customers who still prefer that alternative. In addition, one respondent highlighted a specific strategic benefit of having access to several payment forms by pointing out that:

> Without the cash alternative we would fully be in the hands of the card companies with no alternative to put up against them in the fee negotiation process (travel agency owner).

Among those four retailers who preferred cash payments, high card fee costs was the dominating reason reported, especially regarding the most expensive credit cards and for card payments of small amounts. Two retailers dealing with situations when a number of payments had to be handled in a short period of time, a sports bar and a tobacco shop, reported that card payments were more time-consuming than cash payments. These two companies therefore desired more cash payments.

4.2.4 A lack of common patterns. It is difficult to identify any common patterns among various types of retailers and the chosen approach to the payment alternatives, other than that those which try to avoid credit card payments for small amounts (an optician's shop, a café, and a tea and coffee shop) are small businesses which are struggling to survive financially.

It is also difficult to see any relationships between the retailers' cash vs card preferences and the chosen approach towards the customers' choice of payment form. As shown in Appendix 1, we identified three different categories of retailers' views. The dominating, "fine as it is" category (including 14 of 25 respondents) was satisfied with the present distribution between card and cash payments. Nevertheless, the retailers in this category acted differently: some were partly proactive, some were reactive and some were inactive. All proactive and reactive behaviour was mainly a result of financial considerations, i.e. trying to avoid high costs for accepting expensive credit cards or card payments for small amounts. The actions were based on each retailer's conditions, i.e. size of the firm, industry affiliation, location and price range:

> For me, in most situations, the cost of card payments is higher and more troublesome than the cost of handling cash (tea and coffee shop owner).

The second category includes the seven retailers who prefer card payments. Even though the owner of one of these companies (a paint and wall paper shop) preferred card payments since "the money goes straight into the bank" he expressed no wish to attempt to influence the customers to pay in a certain way. Transaction convenience, or that their customers are satisfied and happy also with that aspect of the service encounter, was prioritized. The remaining companies in this category tried to influence their customers in different ways. The telephone shop had, as mentioned, decided that only card payments were allowed, and another one (a haberdasher) had put up a sign signalling a preference for card payments at the check-out counter. Yet another one (a hairdresser also selling hair-related products) mainly stressed administration and security reasons. She verbally asked for card payments if she deemed it possible to attain, excluding elderly customers unlikely to have cards since they carried a lot of cash in their wallets. In these cases, no negative customer reactions had been noted, indicating that the "fear of offending customers" characterizing the "prefers changed payment behaviour but takes no action" – retailers may be exaggerated.

The third category includes the four retailers who prefer cash payments. As mentioned, the car repair/spare parts shop and the cinema/kiosk had decided that only cash payments were allowed. Furthermore, the tobacco shop did not accept the most expensive credit cards. His experience, like most of the others who had taken this measure, was that most customers did not react negatively to this. He believed that this was because this ban of expensive credit cards was a quite common measure among the local retailers. The customers seemed to be well informed that some credit cards come with a higher fee:

> Most customers don't mind, they often acknowledge the large fee and show an understanding of our situation (tobacco shop owner).

It is worth noticing, however, that when larger amounts were to be paid, like in the travel agency, some customers took offence if their use of these cards (that come with extensive bonuses for the customer) was questioned. The remaining company in this category, the sports bar, takes no action in spite of recognizing the waiting-time problem caused by card payments during rush hours:

> We simply cannot spend time on asking for cash when someone wants to pay by card at the bar (sports bar owner).

4.3 The retailer-bank meeting data

The most striking observation from the meeting between retailers and bank representatives was the retailers' anger and despair, mainly over high credit card fees but also regarding the high cost of handling cash. No other aspects of the payment stage were discussed more than marginally, except for the need to satisfy the customers. The meeting thus not only validated the finding about high costs as a reason for actions taken, it also supported our previous finding that the costs for card and cash payments for many retailers are perceived as about equal. However, it also became obvious that the retailers are subjected to a large amount of information regarding the costs of cash and card payments as a number of fee systems are in play. The retailers' reactions on a bank representative's numerical examples of the costs for various cards and cash payments furthermore demonstrated that this is a complex issue that is hard to grasp. Several retailers were unfamiliar with the figures presented and expressed difficulties in figuring out more than the big picture for the payment costs of their businesses. It thereby validated a dimension that at times had surfaced also during the interviews when some retailers did not seem to have calculated the full costs of cash vs card payment forms. It thus seems that the actions taken are based on fairly rudimental financial analyses, and instead mainly focusing on efforts to keep the customers happy by not interfering with their choice of payment form too much. It was moreover stated from the bank representatives that each company receives a more or less unique cost structure resulting from individual price negotiations. The parties agreed that this makes comparisons harder for small retailers with no support from parent companies or other large organizations.

5. Discussion, conclusions, implications, limitations and suggestions for further research

5.1 Discussion and conclusions

The literature has repeatedly reported on the importance of service-minded salespersons for the creation of customer service and satisfaction through customer relationships (Gremler and Brown, 1999). This discussion has focused on the functional quality of the service encounter (Grönroos, 1982), i.e. the actions directed from a salesperson to a customer during the service interaction (e.g. Gremler and Gwinner, 2000), such as the emotional labour (Pugh, 2001) of salespersons, directed at making the customers feel good by showing a friendly face and offering personal recognition and support in addition to the exchange of a good or delivery of a service. Our findings demonstrate that the retailers perceive the payment stage of customer service interaction as important for customer satisfaction in this respect. They want to please their customers also in the payment stage and try to allow them choose the payment form as freely as possible. In other words, how the customers pay does not matter as much as that they pay (in one way or another) in that particular shop. In fact, judging from the "undercover research" where we acted as customers, the retailers seem to view the freedom of choice in terms of payment as a way to show that they are customer oriented and service minded. They do not want to risk this friendly atmosphere by discussing the payment form as this might risk the social rapport with the customer (Ku *et al.*, 2013; Söderlund, 2013; Thuy, 2011) unless perceived necessary.

In the interviews the retailers' views were further explored, and of particular interest is the lack of common patters. We found five different approaches (from strictly proactive to inactive), but we also found inconsistencies in the way retailers act in the payment stage compared to how they view various payment forms. However, most retailers claimed that it is negative to apply instructions or restrictions on the payment form, and that they only attempt to influence the customers, either proactively or reactively, if they feel that the sacrifice for not doing so is too costly. They therefore delayed any interference in the purchase process as long as possible, hoping that the consumer would choose an acceptable payment form anyway. Only when customers showed that they wanted to pay in other ways than allowed, the salespersons had to inform the customer that a particular payment form was banned and explain why this was the case. The reactive retailers asked their customers to avoid the most expensive credit cards or card payments of smaller amounts.

As demonstrated both by the interviews and the discussions between retailers and bank representatives at the meeting we attended, and in line with previous findings (Garcia-Swartz *et al.*, 2006, p. 176; Shy and Wang, 2011), the retailers questioned the, in their opinion, unjustifiably high card fee levels. In addition, we could tell that the financial sacrifice of various payment forms in different situations is difficult to determine. This complexity means that retailers only act when it is obvious to them that the cost of a particular payment form in a particular situation becomes too high. The behaviour to exclude the most expensive credit cards and/or not to allow card payments for small amounts can furthermore be seen not only as a way to balance the service and the cost aspect of their businesses (Lusch *et al.*, 2007), but also as a way to deal with the information overload problem in a simple manner (cf. Bawden *et al.*, 1999; Hwang and Lin, 1999).

Waiting-time considerations (Peritz, 1993) was no major issue. Although it was presented as a drawback of card payments by the jeweller, the lunch restaurant, the tobacco shop and the sports bar, it had not resulted in any major restrictions. Another interesting finding is that retailers who took the chance and asked for a certain payment form (not requiring, just politely showing a preference) had found that few customers seemed to take offence, at least not for small amounts when the customer would not lose major bonuses from credit card companies. On the contrary, it was perceived that customers even may take pleasure in, for instance, assisting the salesperson in reducing costs by supplying coins to be used for change, at times even in a sorted form. This might in particular be the case under circumstances favouring relationship development and mutual appreciation such as in a relationship to a specific hairdresser or in a haberdasher shop when the customer and the salesperson share a common interest in a specific hobby. Signals that invite customers to assist might thus not only be a way for such retailers to affect how customers pay; it might in some cases even create customer satisfaction.

A situation when the customer's opportunity cost of not being allowed a free choice of payment form or of taking the trouble of providing coins is outweighed by the satisfaction of being of assistance to a fellow man represents a form of social capital, developed as a by-product of other activities (Coleman, 1990; Putnam, 1993). Such social capital has been described as "[…] much of the reward for social interactions is intrinsic – that is, the interaction is the reward – or at least that the motives for interaction are not economic" (Arrow, 2000, p. 3). We argue that such social capital contribute to customer satisfaction and, ultimately, to customer loyalty. Consequently, if the customers appreciate the goods and services offered by the retailer, and are provided with information on why a certain payment form is asked for, they may feel good, and thus get an improved shopping experience, from being able to please. Such pleasure can, of course, not be taken for granted. In such situations reported during the interviews, the number of transactions was limited and the salesperson had an advisory role towards the customers that extended the short payment exchange interaction to other areas of interaction. This extended interaction facilitated a development of customer benevolence on the basis of customer appreciation.

In the general media discussion in Sweden, and, in particular, in messages from banks and governments, it is still argued that cash payments should be even more reduced for financial, safety and environmental reasons. Banks act in this direction by increasingly quitting handling cash manually in their local offices. However, even though several retailers in this study also would prefer an increased use of card payments, mainly for safety and administrative reasons, almost all of them lacked financial incentives to try to contribute to a further development towards a "cashless society" by influencing their customers to reduce the use of cash. Furthermore, environmental aspects were not spontaneously commented upon by the respondents. It seems that the environmental costs still remain on a societal level. These costs have not filtered down to the firm level, at least not in an observable way, and do not play a part in retailers' considerations. It thus seems that any further moves towards a "cashless society" under these circumstances have to emanate from other sources.

5.2 Implications

The choices between the proactive, reactive and inactive strategies that we encountered among retailers seem to be a result of varying conditions, for instance in terms of firm size and the strength of customer relationships. The retailers who were able to develop customer relationships seemed less cautious about trying to affect their customers' choice of payment form, at least when lesser amounts were to be paid. Our findings further indicate that sending signals that invite customers to assist may foster relationship development. Accordingly, retailers might even be able to nurture their customer relationships by, for instance, politely asking customers to help with small change. In general, however, it seemed that the grip on the actual costs of the various payment alternatives in different situations was quite weak, implying that retailers would be able to develop more informed approaches with more knowledge of the actual costs. Banks, on the other hand, need to pay attention to their small-firm customers that suffer from high fees on card payments for small sums in order not to drive them out of business. Finally, ideally consumers should be more well informed about the pros and cons of various payment alternatives for themselves, retailers and the society as a whole. This would, for instance, make them more able and willing to identify win-win situations with retailers instead of using credit cards providing the customer bonuses of various kinds but hurting retailers in terms of increased costs.

5.3 Limitations and suggestions for further research

To deal with the general limitations of interview studies (cf. Bryman and Bell, 2011), we gained *in situ* access to payment situations through the "undercover research" part of our investigation (e.g. Madden *et al.*, 1997; Wilson, 1998). Furthermore, we interviewed knowledgeable respondents (cf. Eisenhardt and Graebner, 2007), and we validated our findings by participating at a meeting between retailers and bank representatives. The number of respondents is, admittedly, small and limited to one geographical area in one country. However, we conducted an explanatory study in an unexplored research field. Further studies in different countries and regions may reveal country-specific contingencies as well as common patterns. Our data do not allow for the analysis of changes in perception over time, or of the consequences of being proactive, reactive or inactive. Further research could emulate the present study, by investigating the effects of such behaviour over time.

It may also be of interest to further develop the five approaches (from strictly proactive to inactive) that we discovered in this study and, not least, to focus on the inconsistencies that seem to exist between what retailers are thinking about different payment forms and how they actually act towards their customers in the payment situation.

This study has focused solely on the retailers' point of view on the payment stage. Ideally, their views would be compared with their customers' views. Is, for example waiting time caused by card payments still considered a problem by the customers even if most of the retailers in this study perceive that it is not the case? Would proactive requests for certain payment forms aggravate their customers even if it comes with an explanation of the motives? To what extent and under what circumstances are customers willing to assist retailers by choosing a certain payment form? Hopefully, further studies will provide more knowledge on these topics.

Our finding that retailers often act very late in the purchase process as a result of avoiding offending the customers may be too simplistic. It is possible that a complementary reason for waiting as long as possible to act is that the customers will become more "committed" to the purchase the closer the deal that (s)he is. This merits further attention as does the information overload problem in the payment situation, demonstrated in the present study. Retailers are subjected to a large amount of information regarding the costs of cash and card payments. It is thus difficult for them to calculate and relate cash and card payment cost to the importance of keeping the customers happy, and in particular to decide when it can be motivated to risk offending the customers in the payment stage.

Note

1. Totally, 100 SEK is about 10.69 Euro (March 2014).

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(The appendix follows overleaf.)

Appendix 1

Table AI.

Industry and location	Ownership, turnover (MSEK), and price range (SEK)	Present distribution cards/cash (%) and the view on this distribution	View on card payments	View on cash payments	Behaviour (instructions and restrictions)
Category I: present distribution between card and cash is OK					
Optician's shop, located in small community	Single limited company (turnover: 3.2 MSEK, price range: 2-8,000 SEK)	65/35, this distribution is OK	± smooth − high costs	± good for small amounts − high costs, administration, and safety aspects	Partly proactive behaviour (the most expensive credit cards and card payments of smaller amounts not allowed)
Café, located in city centre	Single limited company (turnover: 0.9 MSEK, price range; 5-250 SEK)	75/25, this distribution is OK	± smooth − high costs	± good for small amounts − high costs	Partly proactive behaviour (the most expensive credit cards and card payments of smaller amounts not allowed)
Home electronics, located in small community	Single limited company (turnover: 5 MSEK, price range: 5-150,000 SEK)	80/20, this distribution is OK	± smooth − high costs	± good for small amounts − high costs	Partly proactive behaviour (the most expensive credit cards not allowed)
Jeweller, located in city centre	Single limited company (turnover: 5.2 MSEK, price range: 100-50,000 SEK)	80/20, this distribution is OK	± smooth − payment takes time	± good for small amounts − bad for large amounts	Partly proactive behaviour (the most expensive credit cards not allowed)
Kiosk, located in city centre	Single limited company (turnover: 13 MSEK, price range: 10-500 SEK)	50/50, this distribution is OK	± smooth − high costs, bad for small amounts	± good for small amounts − high costs, administration, and safety aspects	Partly proactive behaviour (the most expensive credit cards not allowed)
Petrol station, located in suburb	Single limited company (turnover: 5 MSEK, price range: 5-1,500 SEK)	85/15, this distribution is OK	± smooth − high costs	± good for small amounts − administration aspects	Partly proactive behaviour (the most expensive credit cards not allowed)
Second-hand watch shop, located in suburb	Single limited company (turnover: 0.6 MSEK, price range: 200-5,000 SEK)	60/40, this distribution is OK	± safe − high costs, technical problems	± good for small amounts − high costs, safety aspects	Reactive behaviour (ask to avoid the most expensive credit cards)

(*continued*)

Table AI.

Industry and location	Ownership, turnover (MSEK), and price range (SEK)	Present distribution cards/ cash (%) and the view on this distribution	View on card payments	View on cash payments	Behaviour (instructions and restrictions)
Bakery, located in city centre	Single limited company (turnover: 5 MSEK, price range: 10-300 SEK)	55/45, this distribution is OK	±smooth −bad for small amounts	±good for small amounts −administration and safety aspects	Reactive behaviour (ask to avoid the most expensive credit cards)
Tea and coffee shop, located in city centre	Single limited company (turnover: 1 MSEK, price range: 5-200 SEK)	50/50, this distribution is OK	±smooth, spontaneous purchases −high costs	±payment goes quick −high costs, safety aspects	Reactive behaviour (ask to avoid card payments of smaller amounts)
Flower and gift shop, located in small community	Single limited company (turnover: 2.5 MSEK, price range: 5-2,000 SEK)	70/30, this distribution is OK	±smooth −bad for small amounts	±good for small amounts and old people −high costs	Inactive behaviour (no restrictions)
Lunch restaurant, located in suburb	Franchise company (turnover: 3.5 MSEK, price range: 2-250 SEK)	75/25, this distribution is OK	±smooth −payment takes time	±good for small amounts −high costs, administration, and safety aspects	Inactive behaviour (no restrictions)
Bookstore, located in city centre	Single limited company (turnover: 15.1 MSEK, price range: 2-1,000 SEK)	70/30, this distribution is OK	±smooth −high costs	±good for small amounts −high costs, administration, and safety aspects	Inactive behaviour (no restrictions)
Cosmetic shop, located in city centre	Franchise company (turnover: 6 MSEK, price range: 25-1,500 SEK)	70/30, this distribution is OK	±smooth −bad for small amounts	±good for small amounts −high costs	Inactive behaviour (no restrictions)
Travel agency, located in city centre	Single limited company (turnover: 14.5 MSEK, price range: 50-15,000 SEK)	85/15, this distribution is OK	±smooth −high costs	±good for small amounts −administration and safety aspects	Inactive behaviour (no restrictions)

(continued)

Table AI.

Industry and location	Ownership, turnover (MSEK), and price range (SEK)	Present distribution cards/cash (%) and the view on this distribution	View on card payments	View on cash payments	Behaviour (instructions and restrictions)
Category II: only card payments or a wish to increase card payments on the expense of cash payments					
Telephone shop, located in city centre	Franchise company (turnover: 17.5 MSEK, price range: 20-8,000 SEK)	100/0, only card payment (or invoice in extremis) are allowed	±smooth −high costs	Cash payments not allowed	Strictly proactive behaviour (neither cash nor the most expensive credit cards allowed)
Haberdasher, located in city centre	Single limited company (turnover: 3 MSEK, price range: 20-8,000 SEK)	80/20, more card payments are preferable	±smooth −nothing	±good if customers want to pay with it −high costs, administration, and safety aspects	Partly proactive behaviour (customers informed by sign that card payments are preferable)
Children's clothes shop, located in city centre	Single limited company (turnover: 2 MSEK, price range: 50-2,500 SEK)	85/15, more card payments are preferable	±smooth −high costs	±good if customers want to pay with it −administration and safety aspects	Partly proactive and reactive behaviour (the most expensive credit cards not allowed, and if customers ask they are told that cards are preferable)
Music store, located in city centre	Single limited company (turnover: 15 MSEK, price range: 5-5,000 SEK)	80/20, more card payments are preferable	±smooth −high costs	±good if customers want to pay with it −administration and safety aspects	Partly proactive and reactive behaviour (the most expensive credit cards not allowed, and if customers ask they are told that cards are preferable)
Hair dresser/hair products shop, located in city centre	Single limited company (turnover: 0.8 MSEK, price range: 50-5,000 SEK)	90/10, more card payments are preferable	±smooth −high costs	±good if customers want to pay with it −high costs, administration, and safety aspects	Partly proactive and reactive behaviour (the most expensive credit cards not allowed, and if customers ask they are told that cards are preferable)
Hotel, located in city centre	Franchise company (turnover: 24.9 MSEK, price range: 10-4,000 SEK)	75/25, more card payments are preferable	±smooth −high costs	±good for small amounts −high costs, administration, and safety aspects	Reactive behaviour (ask to avoid cash payments in evenings and on weekends due to the risk of robbery)

(*continued*)

Industry and location	Ownership, turnover (MSEK), and price range (SEK)	Present distribution cards/cash (%) and the view on this distribution	View on card payments	View on cash payments	Behaviour (instructions and restrictions)
Paint and wall paper shop, located in small community	Franchise company (turnover: 11 MSEK, price range: 20-10,000 SEK)	85/15, more card payments are preferable	$\pm$smooth $-$high costs	$\pm$good for small amounts $-$high costs	Inactive behaviour (no restrictions)
Category III: only cash payments or a wish to increase cash payments on the expense of card payments					
Car repair/spare parts shop, located in a small community	Single limited company (turnover: 1.5 MSEK, price range: 10-25,000 SEK)	0/100, only cash payment (or invoice in extremis) are allowed	Card payments not allowed	$\pm$smooth $-$high costs	Strictly proactive behaviour (card payments not allowed)
Cinema/kiosk	Cooperation (turnover: 1.1 MSEK, price range: 10-120 SEK)	0/100, only cash payment	Card payments not allowed	$\pm$smooth $-$high costs (cannot afford card equipment) and safety aspects	Strictly proactive behaviour (card payments not allowed)
Tobacco shop, located in a suburb	Single limited company (turnover: 20.3 MSEK, price range: 19-5,000 SEK)	65/35, more cash payments are preferable	$\pm$safe $-$high costs, payment takes time	$\pm$smooth, payment goes quick $-$safety aspects	Partly proactive behaviour (the most expensive credit cards not allowed)
Sports bar, located in city centre	Franchise company (turnover: 18.2 MSEK, price range. 10-300 SEK)	75/25, more cash payments are preferable	$\pm$smooth $-$high costs, payment takes time	$\pm$payment goes quick, increased selling and tips $-$high costs, administration, and safety aspects	Inactive behaviour (no restrictions)

Table AI.

Appendix 2. Interview guide

(1) The company's turnover and number of full time employees?

(2) The current distribution between cash and debit/credit cards?

a. Your view on the current distribution?

b. The direction of the distribution in recent years?

(3) Your view on advantages and disadvantages of each payment method?

(4) Your view on the cost to the company for cash and card processing?

(5) Your view on the banks' pricing for cash and card processing?

(6) Your view on the administration for cash and card processing?

(7) Your view on the safety of cash and card processing?

(8) Do you prefer that customers pay in one way or another?
In general and in specific situations?

a. Do you have a lower limit for credit card purchases? Why/why not?

b. Do you refuse to take any cards? Why/why not?

(9) Do you try to influence the customer to choose a particular payment forms?

Why (how?)/why not?

(10) Is there anything else of importance that we have not mentioned?

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