White Paper

Human behaviour at the point of sale

VERIFONE IN
UK AND
IRELAND

Can we ever predict how shoppers will behave at the moment of purchase?

If so, what can be done to improve the payment experience?

Research Study by Dr Ian Bushnell, AFBPsS CPsychol,
Senior Lecturer of Psychology at Glasgow University

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Payment – the moment of connection

A point of contact between brand and individual

Today we demand more from payments than ever. We expect payment to be instantaneous, convenient and secure. We want to engage – and to be seen as an individual and not purely a transaction. Our sales journey is unique to us.

That's why what happens at the Point of Sale (POS) is so important. It's about more than payment acceptance. Physically, and symbolically, the checkout is a touch point that connects the seller directly to the customer.

By understanding the motivations, drivers and expectations at the moment of purchase and minimising the barriers and pain points, retailers can vastly improve the experience, boosting loyalty and sales.

Commissioned by Verifone, this white paper is taken from studies conducted by Ian Bushnell, AFBPsS CPsychol and Senior Lecturer at Glasgow University.

It continues on from Verifone's paper 'Payments and Human Behaviour' by Professor Paddy O'Donnell, Glasgow University, which examined the psychology associated with the payment process.

This new research looks at the human behaviour and emotions that kick in when choosing and using payments. And at how we interact with new technology and services at the sales point. This insight is invaluable for those planning retail payment strategies and POS investment.

Several interesting findings have come out of this:

- Embarrassing purchases can be a motivator for shoppers to choose self-service and cash.

- Actively demonstrating care for consumer security could help establish stronger customer relations.

- Having store staff at self-service locations encourages use but, if too visible, shoppers can feel they're not trusted.

- Spenders can find parting with hard cash 'painful' as its perceived 'transparency' is much higher than with debit or credit cards.

- Consumers feel less concerned about fraud when transaction times are quicker.

- Familiarity overcomes fear; once they use mobile payments and contactless, consumers quickly accept them as a preference.

- For desired purchases, buyers value products more when they pay with a more 'painful' form of payment.

- Cognitive dissonance associated with queues can make the product and brand MORE desirable to the customer.

- Shoppers don't like surprises and are more willing to engage if they are given time to think.

- People need intimacy to build loyalty, POS must be more intelligent and adaptive to engage.

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Where to pay?

Choosing which checkout to go to is a complex decision path where lots of psychological factors come into play. Our personality and disposition. Our schedule, the size of the queue, the look of the sales assistant. And, of course, our past experiences – good and bad.

Man or machine

Almost all supermarkets, a growing number of high street stores, entertainment and ticketing now offer some form of unattended checkout. So what emotions affect our choice between a manned checkout and a self-service pay point?

Firstly, some people actively seek to interact with people. Indeed, a quick chat while paying can be an essential part of the shopping experience. The elderly, lonely and extroverts, are much more likely to prefer interpersonal contact. When choosing between checkouts, as with social transactions, people prefer to interact with someone who looks happy. Who smiles at others, nods their head expressively and maintains appropriate eye contact. Research suggests this accounts for 60% of positive feelings when interacting with a stranger.

'When choosing between checkouts, as with social transactions, people prefer to interact with someone who looks happy.'

For the particularly time sensitive and those with busy schedules, unmanned POS may become the habitual choice. For some, it depends on their mood at that moment, or the item being purchased. Either may lead them to seek the assurance of a sales assistant or the anonymity of self-service. Frequently, shoppers 'play it by ear', estimating the likely delay in each payment situation. The number of individuals before them in the queue and the size of their shopping load are all factors. At all times, seeking to maximise gain by choosing options with least effort and social cost.

With self-service, past experience is also a crucial factor. Are we confident in handling the logistics of the transaction? Can we cope with the embarrassment if it all goes wrong? What if we can't use the service correctly? If self-confidence is low, manned tills are preferred, even if the transaction is slower.

Having store staff at self-service locations can increase the likelihood of them being chosen. It suggests help will be available if needed. However, if too many are present, it can lead shoppers to feel that they are not trusted by the store. It can also create resentment from those at manned-tills who'd like more staff there.
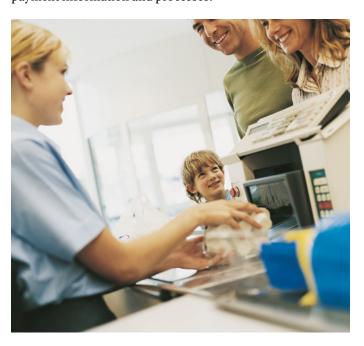
Personal space

People hate to feel out of place. If lost or unable to find what they want quickly, stress and frustration grows. And doing things wrong leaves them embarrassed, flustered, confused and even angry. Payment locations must avoid this. They should be easy to locate by customers within the store. Good signage is essential and checkout areas should have a clear direction of flow (in and out) indicated.

'At the checkout, consumers need a personal space of one metre or they will feel stress.'

At the checkout, consumers need a personal space of one metre or they will feel stress. The higher the value of the products the greater the 'personal space' for customers is required. In all cases, stores should avoid claustrophobic checkout counters.

The POS is the last experience in the customer journey. It can have a powerful influence on store image and thus impact on satisfaction and loyalty. The quality of countertops and fixtures is also important. Visually noisy and cluttered spaces distract customers and have the potential to interfere with payment information and processes.

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How to pay

Most people carry several forms of payment at any one time. In some instances, they'll know in advance which they'll use. Sometimes, it depends on the store, the purchase, the reward scheme. Sometimes it's simply a case of what comes to hand first!

Card or cash

Choosing whether to pay by cash or card depends on how much money we have readily available and the size and nature of the purchase. Of course speed and convenience is important. But decisions may not be clear cut.

Cash could be quicker than card, but may mean a trip to the cashpoint later. Cash is also less likely for large value payments (over £20). It is more likely for potentially embarrassing purchases, e.g. medicines, where it provides anonymity.

Many shoppers feel that physically parting with hard cash is painful. It has been shown that the perceived 'transparency' of cash is much higher than with debit or credit cards. Credit cards have an added advantage that they also allow us to hide or delay the payment, enabling purchases even if funds aren't available. Payment cards with linked reward schemes can also direct choice. But only if they offer a value that resonates with the user[2].

'Many shoppers feel that physically parting with hard cash is painful.'

One key advantage of card over cash, which has not fully been explored, is automatic record-keeping. This can be a real benefit – especially, if contemplating a return or requiring a guarantee. Payment cards with linked reward schemes can also direct choice. But only if they offer a value that resonates with the user[2].

Contactless or mobile

The Experian 'Banking Moving Forward' study suggests 33% of the UK population believe smartphone payments will take over from credit/debit cards by 2020. And 41% think there will be less and less use of credit and debit cards in their current form. Retail and finance sectors, rather than customer demands, may drive this.

Much of this inertia is to do with confidence and trust – and the fear that comes from taking the plunge into the unknown. Once the learning curve has been overcome, the speed and convenience of contactless establishes regular use. The more familiar the user becomes, the more likely contactless will be their preferred method. Another plus is that there is no need to remember a PIN – one less thing for the user to worry about.

The same holds true for mobile payments. Most people carry a smartphone at all times. Many have even downloaded a payment app from their bank or through Apple, Google or Samsung. These digital wallets can reduce the pain of 'leaving home prepared'. Giving access to payments, loyalty schemes, vouchers and more all in one place.

So what's holding shoppers back? Mobile payments, like contactless cards, may hold security fears for some. Although not universal, these are still considerable. Generally, though, consumers feel less concerned about fraud when transaction time is quicker. Contactless and mobile may gain advantage here and eventually be perceived as more secure than payment cards.

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The waiting game

Stores are full of mental stimulation, loud noise, lots to look at, things to touch and even taste. In this adrenalin fuelled state, people can become stressed. Controlling the 'fight or flight' response when waiting to pay can make us more likely to experience emotional frustration and irritation.

Pain factor

There is often a dichotomy between speed of payment and customer satisfaction. Faster payment links to lower pain of payment (PoP). Most research shows low PoP can immediately and positively impact consumers at point-of-purchase; increasing the likelihood to buy as well as satisfaction with the goods and process.

Yet, in some cases, increased PoP can lead to greater satisfaction post-purchase; leading to higher feelings of ownership, attachment to products and strengthening of brand relationships.

A recent study[1] states that, for desired purchases, individuals are more financially, psychologically, and behaviourally committed to an organisation, and value products more, when they pay with a more painful form of payment. Where customer throughput is a priority, fast sales should be encouraged. For expensive purchases and where loyalty is desired, increasing the PoP could be beneficial.

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Queue watching

Long queues are usually bad. They are associated with inefficiency on the part of the retailer. And also seen as a lack of interest in, or respect for, the customer and their well-being. This will apply to low value products and high value products in different ways.

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Those buying low value products, with a low spend, will be reluctant to waste time and may walk away. Where spend is higher e.g. a weekly grocery shop, shoppers are more prepared to queue. A slower 'closing' phase to a sale can benefit high-value purchases, particularly, when this involves personalising the process. It indicates that the store is investing time in the customer.

But queuing to pay for a high-value product is rarely a positive. Especially when others in the queue are purchasing low value items. Introducing separate high-value linked payment locations, or mobile POS (mPOS) solutions can benefit a mixed sales environment.

There are exceptional circumstances when long queues can be a bonus. For example, when Apple announces the arrival of a new product. Here, they act as a social reaffirmation of the buying decision. Cognitive dissonance can make the product and the brand more desirable to the purchaser.

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Unexpected demands

In the past five years, there has been greater emphasis on value added retail services. We are now confronted with the ability to opt into loyalty schemes, charity donations and special offers at the till.

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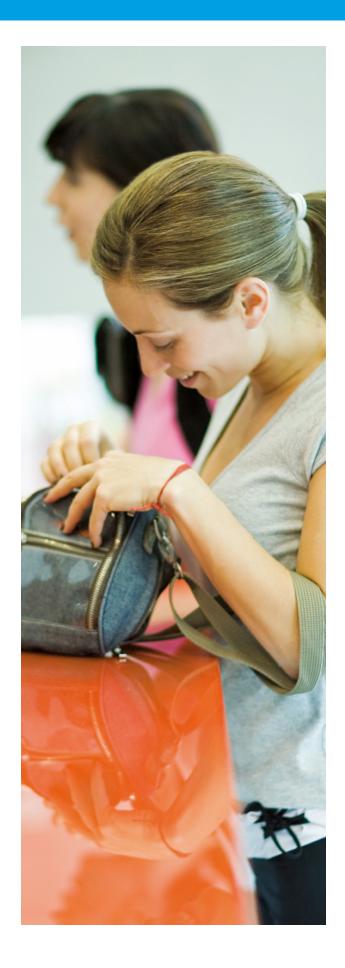
Shoppers can be wary of the unexpected. When asked to try a service, their first thought is often 'why? What's in it for me?'. They then have to calculate if the resulting benefits outweigh the predicted costs in terms of time and effort. And, if it requires giving out their details, is the risk worth it? Do they really want to share personal data in public?

Consumers are more willing to engage, if they have time to think. Retailers should consider how to prime them with key information at the sales point, in the store or in advance – such as details of the offer/opportunity; short and clear instructions of the process and how long it will take. This allows the shopper to consider and prepare their response, avoiding misunderstanding, stress and/or embarrassment.

'At the POS itself, instructions on accessing or redeeming services should be immediately understandable.'

At the POS itself, instructions on accessing or redeeming services should be immediately understandable. Simple language and wording, printed in accessible fonts; sized to suit those with poorer vision and with consideration to lighting.

When asking for sensitive data, safe locations are desirable with staff who are sensitive to customers' desire for privacy. The process must be efficient. That means not asking for details the retailer should already know or which are not needed.

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Payment fears

Constant media coverage about criminals, threats and data scares has left many shoppers feeling vulnerable – particularly where payment and personal data is concerned. We are, however, less likely to fear the familiar, which has both advantages and disadvantages for payments.

Security and risk

A 2015 report by Financial Fraud Action confirmed that payment fraud increased year-on-year. Up 6% in 2014 with losses of £479m on UK-issued cards. Identity theft is also on the rise. Only card skimming has shown a small reduction.

It's no surprise that security is a concern for many individuals, across all age groups. This is delaying widespread adoption and use of new payment formats like mobile wallets. Media coverage of fraud and theft bolsters this concern. It is also likely that most people know at least one person who has been a victim. Around one in six adults has been the victim of a cyber-attack through their mobile device.

The Experian Banking Moving Forward study suggests 46% of people surveyed are scared of identity theft. Yet 60% have no malware protection on their devices to prevent cyber fraud. This supports research which suggests that people's behaviour to fraud is inconsistent with their expressed concern.

Actively demonstrating care for consumer security could help to establish stronger customer relations. In the near future, we may see a move towards biometric security. Almost half (44%) of those surveyed by Experian stated they would be willing to make payments using biometrics. Some mobile payment apps, like Apple Pay, already rely on fingerprinting for authorisation.

Personal intrusion

Payment is a great opportunity to personalise services and sell further products. This depends on the amount of customer data available either pre or during payment. The ability to gather data is not under question. However, the willingness of consumers to give information to stores is increasingly under scrutiny.

'Payment is a great opportunity to personalise services and sell further products.'

Customers already give personal data to retailers and organisations such as Google and Facebook. Most appreciate that this provides benefits that override the cost of intrusion.

What's important to them is that they know why retailers want their data. What the payback is to them. What is done with their data and who has access to it. They want choice and opt out options. They don't want to be asked for information more than once. And they want the frequency of activities restricted so that they don't become intrusive.

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Emotional baggage

Some behaviours happen at an unconscious level, shaping the choices we make and the way we behave during a transaction. Some are deep seated and others are driven by circumstance. For example:

Aversion

Research by Di Muro & Noseworthy (2013)[4] indicates that dirty and marked bank notes are often spent simply to get rid of them. The underlying fear of contamination is higher than the desire to keep the money. It also suggests that handing customers poor quality notes in change reflects badly on the retailer. The new UK plastic notes may mean a reduction in 'contagion driven' use of lower value notes.

Self-consciousness

Wan & Wyer (2015)[5] have shown that while attractive service staff are often assumed to increase customer appeal and sales, it may not always be true. Social anxiety, and the nature of the purchase, can mean some consumers react better to less attractive ones. When dealing with the opposite sex, self-presentation worries are often of a sexual nature. When interacting with the same sex, they are likely to be due to social comparison.

Frustration

If the queue length is unjustified, consumers will become unhappy and find it increasingly difficult to hide their annoyance. For example, rows of unmanned tills at peak shopping time; unwilling and inefficient staff; or obvious misallocation of resources. In this case, shoppers are likely to feel dissatisfied and angry, may start to voice their frustration and impact negatively on those around them.

'Rows of unmanned tills at peak shopping time; unwilling and inefficient staff; or obvious misallocation of resources are examples where customers will become unhappy and dissatisfied.'

Regret

Buyers will have greater regret and dissatisfaction if they have to spend a long time searching and locating an item. However research shows that for many, regret kicks in post purchase. And particularly where there are lower evaluations of service, product and price. The consequences of this is more chance of returns, plus less intention to repurchase.[3]

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How merchants can help boost a positive shopping experience

Promote respect

Payments tends to be the most personal interface a consumer has with their retailer. So checkout staff are a vital component in the chain. Staff training is crucial. Not just on systems but on understanding shoppers' desires and frustrations. Consumers are influenced by quite low level factors. Even a 'neutral' sales approach can negatively impact reputation and future sales.

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Make it easy

It's important to reduce cognitive load in customers. Keeping their senses and minds free to focus on their shopping. Prominent signage, and clear location instructions help. Having a range of payment routes matched to product and customer demographics can also be helpful. As can managing queue lengths depending on the nature of purchases.

Give encouragement

Retailers could take some guidance from the 'nudge' approaches advocated by the UK government's Behavioural Science Unit. For example, providing comparative information at the POS. Using digital signage with prompts stating "The average wait time today has been 60 seconds". Or "40% of our customers have signed up for our loyalty card this month".

'Using digital signage with prompts stating "The average wait time today has been 60 seconds". Or "40% of our customers have signed up for our loyalty card this month".'

Put people first

Making service more personal can help. Whether through targeted offers; the use of beacons or near field communication (NFC) tagging in-store. Consider using customer names – appropriately. These can be managed by using tokenisation and loyalty card apps on the POS to inform the sales person.

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Create communities

Some of the most successful retail initiatives recently have revolved around building communities within stores. From coffee shops and pop up libraries to hands-on demo areas and shopping clubs. It shows that retailers are responding to customers' social needs, reflecting a growing trend to put 'people' at the heart of 'physical' retailing.

'Some of the most successful retail initiatives recently have revolved around building communities within stores.'

Make refunds easier

Modern consumers expect to be able to obtain refunds painlessly. Without the explicit (or implicit) perception that they are being deceitful. Or a source of annoyance or trouble. They expect store staff to be helpful and aware, not just of the store's policy on returns, but also of the legal rights of the customer. Most believe that 'good stores' go beyond the minimum statutory requirements.

Consider POS investment

Harnessing innovation at the POS – from value added services and beacons to multi-media and interactive apps – can help retailers strengthen their connection to consumers. But in their development, retailers need to manage the cost, time and effort to the consumer. By keeping processes frictionless and pain-free, they can deliver greater benefits and boosts sales.

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Conclusions and implications

Psychological understanding of shoppers' behaviour needs to be interpreted in context. High value and FMCG retailers have different customer bases – with different emotional needs and desires.

Consumers are unpredictable

Even within the same product sector, the same individuals can behave entirely differently depending on the store environment, how they are feeling, the interaction/experience and the brand. People also differ in a collective way in different times e.g. commuters, and between cultures.

One study by Kamleitner & Erki[6] that has looked at cross-cultural factors suggested that non-Asian customers had a greater sense of psychological ownership for a purchase made with cash than with a credit card. While Asian customers did not.

Indeed, there are always individual factors which vary depending on personal experience, values, personality and opportunity. This makes prediction an inexact process. These kinds of differences show we need to take care when making generalisations about consumer attitudes and behaviour towards payment matters.

Retailers need clear processes to improve experiences

If retailers wish to influence payment behaviour in a systematic manner, then they need to base these on what their own goals are. They must think through the potential unintended consequences. And then determine:

(a) what they can do themselves within their own sphere of influence

(b) what they can do in conjunction with their payment partners

(c) timescales involved – changing behaviour requires new habits to be practised consistently, over an extended period of time. Typically, two months of repetition are needed to fully embed a new behaviour and, while it can be less, it can also be much longer.[7] The same rule applies to both shoppers and staff.

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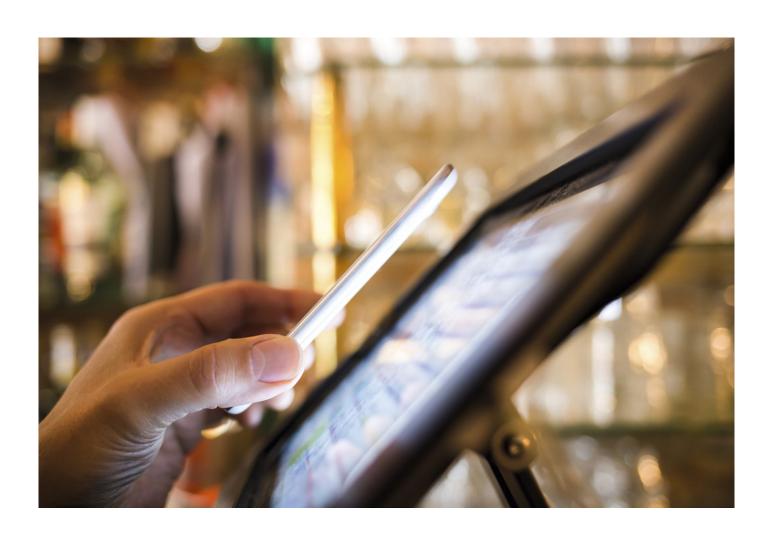## Payments must be more intelligent and adaptive

This 'Human behaviour at the point of sale' study shows customer behaviour is influenced by a myriad of changing factors in indistinct and immeasurable ways. To be able to respond to this, retailers require a high degree of flexibility in their payments systems and environments.

Many retailers rely on good staff and managers to ensure that checkouts run smoothly – optimising resources to maximise flow. However, the proliferation of cloud services, mobile, contactless and NFC, and the demand for omni-channel payment services, means that technology is becoming more prevalent at the point of purchase. With this in mind, retailers must ensure some level of intelligence in their systems so they can identify and help manage checkout flows and queues and respond appropriately.

That means services that can be customised instantly. Apps that can be deployed and managed over the cloud, to deliver functionality exactly when and where it is needed most. Even to suit individual customers' demographic and buying habits.

It also means acceptance devices and form factors that can shape-shift from countertop to self-service to mPOS. So that retailers can rapidly reallocate their resources across the store, to suit the buying patterns on that day. At the same time, within this technology there must be room for people. Brands must retain the intimacy and connection that is at the heart of building loyalty. Developments to the point of sale must be as much about enhancing the person-to-person connection as the man-to-machine one.

'Developments to the point of sale must be as much about enhancing the person-to-person connection as the man-to-machine one.'

As society becomes increasingly fragmented, then stores have an opportunity to go beyond simply selling. Retailers can provide more value through services that directly relate to consumers' emotional needs. By nurturing customer relationships at the POS, retailers can turn brand loyalty into something more powerful and likely to last.

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Verifone helps smooth the customer journey with engaging, secure and reliable POS payment solutions.

🌐 **www.verifone.co.uk**

✉ **info-emea@verifone.com**

🐦 **@Verifone_EMEA**

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