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Research Article

PAYMENT MODE MODULATION- A NEW GAME OF MINIMIZING 'PAIN OF PAYING': AN INVESTIGATION USING 'ANSOFF MATRIX'

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A B S T R A C T

The study explores the Ansoff Model with respect to current market situation and understand how it works for finding and maximizing new business opportunities. With the help of this study authors will investigate how payment methods are molded to give soft cushion to buyers. The study would also analyze how customers see strategies using for minimizing pain of paying. Ansoff Matrix is applied on companies' strategies to encourage more and more purchases by reducing pain of cash payment. The study is conducted over working male and working female, study correlation between Ansoff Matrix & POP techniques and identified which strategy belongs to which section of Ansoff Matrix. The study gives brief understanding of Ansoff Matrix and 'Pain of Paying' along with remedies of minimizing pain. Total 626 respondents were selected for the study among them 313 were working male & 313 working female. The data has been analyzed through 'independent t-test, Pearson Correlation and Avg. Weight Method'.

INTRODUCTION

A study done by Hirschman (1979) pin pointed lack of research in payment mode method relationship with sale purchase behavior. She derived that lack of research is due to assumption that there is no significant difference in payment methods and even if there were they further don't have any effect on sale purchase behavior (Hirschman, 1979). Till 2006 it was noted that the situation had not changed much (Schreft). But the topic was not totally ignored there were studies to know the effect of credit card use on the number of transaction in comparison with cash (Hirschman, 1979; Feinberg, 1986; McCall and Belmont, 1996; Prelec and Loewenstein, 1998; Prelec and Simester, 2001; Soman, 2001; 2003; McCall, Trombetta, and Gipe, 2004; Raghubir and Srivastava, 2008). Term "pain of paying" was firstly described by OferZellermayer (1996) as an emotional experience which causes distress by the prospect and act of spending money, which is further an important source of consumer utility or disutility while paying or anticipation of paying for the product. Thomas, Desai and Sreenivasan (2011) showed that people who were expected to pay in cash felt more pain then the ones who were expected to pay in cash.

Basically in rational, economic evaluation of a purchase opportunity there is no major role of payment mechanism. Yet there is substantial evidence of overspending by customers who use credit card in comparison to who do not (Cole1998; Tokunaga 1993). Though there is little understanding of the significant role of payment mechanism in influencing future spending behavior. Many researches also started to identify different factors present in choice of payment mechanisms. A predicted by Prelec and Loewenstein (1998) that in purchase of durable goods(e.g. microwave oven) consumers prefer credit cards in comparison to short lived products (e.g. Vacations), this is usually done in order to increase the perceived attractiveness of the transaction. Moreover, the choice of payment mechanism is also influenced by many factors like convenience, acceptability, accessibility and habit. Whereas research also tell us that there is a difference found in the utility of the very same product in functional context (cf. Huber, Payne, and Puto 1982), many a times due to the structure of information (Russo 1977) and also the way they are framed (Levin and Gaeth 1988). Also the value of the currency might influence the disutility of the different forms of payments. Research also shows that expenses could also be seen as more or less pleasurable depending on the temporal framing and the level of dividends it has (Gourville 1998, Morowitz, Greenleaf, and Johnson 1998), and the kind of budgeted resources one holds (Heath and Soll 1996).

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Game of Payment Mode Method

Credit card: Banks and Financial institutions issue card thorough which customers can pay for goods and services. Debit cards use the customers money in his/her account. The moment we use the debit card the amount gets deducted from the account. In credit card customer incurs debt with the credit card provider. Both cards have an issue date, expiry date, and a specific number as their identity and a security code too. Some credit cards and debit card have chip for contactless transactions which we will discuss further.

E Wallet: Electronic wallet provides all functions of today's electronic medium under one umbrella, eliminating need for several cards. E-wallet is the digital wallet which provides many security features which are better and keep transaction more safe. This all helps electronic transaction more quick and secure.

ECS: It is an electronic mode of payment / receipts that are periodic in nature. Mainly ECS is used by institutions for the bulk payments of amount towards distribution of dividend, interests, salary, pension, etc. also for the bulk collection of amounts towards water/ tax /electricity bills, insurance/mutual funds etc. payments. Wherever there is transfer of amount on continuous and periodic in nature ECS id the preferred option.

Zero Down payment: Down payment is a payment that is majorly used while purchasing expensive items like car, house etc. Basically it is the initial upfront portion of the total amounting is initially given at the time of finalization of the deal. Now a days to make offers more lucrative companies give zero downpayment option, where you are exempted from this initial burden of cash payment and the amount is equally divided in EMI's only.

Delayed Invoicing: Delayed invoicing also known as deferred billing allows customers to pay after some time of acquisition of the product or service. Delayed billing is a boon for the merchandisers. There are many complications involved will delayed invoicing but then too it is an easy way to woo customers.

EMI: Equated monthly instalment is the return of the amount borrowed by a person. In this a specific amount is to be given/ deposited on a particular sate of every month. Equated monthly instalment pays the full loan including the interest.

Removal of Price tags: Premium brands are very fond of this technique as their customers are very premium and not bother about the price of a product or service. In this selling technique, companies usually do not put price tag on the product and works hard on display, appearance and packaging to woo premium buyers. Earlier this was limited to upper and premium brands but gradually small brands are also adopting this technique but in some adjusting manner. Products are tagged with small price (usually single installment amount) to attract price conscious buyers. It is a smart way to protect buyers from shock of high price of product.

Post Paid: This technique was basically coined for telecommunication services but now marketers in association with financial institution (with the help of credit cards schemes) making buyers' purchases more easily and convenient. Today, almost all products may have postpaid facility for the buyers.

Purpose of the Study

The current study is aimed at studying about the techniques of different payment modes and their influence on purchases. How these methods improve purchases while minimizing pain of paying by cash. This is an attempt to apply 'Ansoff Matrix' on various methods of payment and analyzing them on account of this model. This would prove how Ansoff Model is working in today's market and how does it can help to explore maximum market opportunities.

Analysis

The study conducted a test on market development and product development with the help of 'Ansoff Matrix' (a model defines market growth). The market is full with commodities, competitors and fleet of suppliers which undoubtedly increases competition. Ansoff matrix was invented by Igor Ansoff in his research article in 1957. The model is almost 60 yrs old but it still works and applicable in current market scenario. The study is an attempt to correlate Ansoff model strategies with current marketing strategies to develop market as well as the product to seek more consistent and predictable future growth. With the help of this matrix the study trying to reveal that how Ansoff matrix is being used currently knowingly or unknowingly by the firms to explore maximum opportunity.

Configuration of 'Ansoff Matrix'

The Ansoff Matrix is configured with 'four approaches' which gives an opportunity to the firms to have more predictable market share and growth. The structure of Matrix represents:

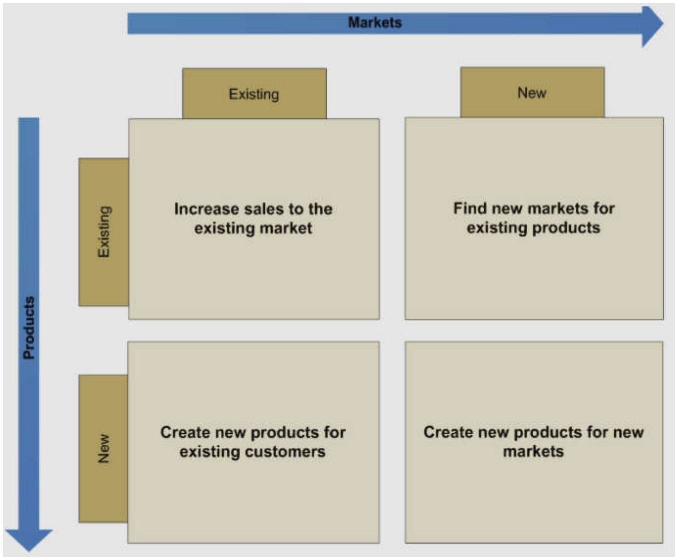

Fig 1 Ansoff Matrix

Condition 1: Represents the growth strategy adopted by the firm within the existing market with existing product. It's often adopted to seek growth within that market wherein the firm is being operated.

Condition 2: The stage in which firm look for new business opportunity by targeting new market with existing product. This is a part of market development strategy of the firm. This approach gives new avenues to the firm with more brand recognition and global footprints.

Condition 3:This situation leads to product development to get growth and market share in the existing market. This is expansion based formula, where the firm introduce new product into the existing market for seed new market opportunities.

Condition 4:It is about diversification technique to find growth for business. In this strategy, the firm enter into the new market with new product. This can be in two forms, first related diversification and unrelated diversification.

Game of Minimizing 'Pain of Paying': Analysis Using 'Ansoff Model'

With reference to 'Nudge Theory' of reducing pain of paying, the current study is attempting to analyze firms' strategies using 'Ansoff Model'. The Ansoff matrix would give ideas about firms' plan to generate new business opportunities by reducing pain of paying through innovative techniques. Nudge theory identified various techniques through which customers' pain of paying is being reduced to get them ready for more and more purchases without feeling pain to pay in cash. With the help Ansoff model the study would analyze how four conditions of the matrix is helping firms to enlarge business scope in the existing as well as new markets. The below table 2 gives an idea how Ansoff model is working silently in seeking new business opportunities in the existing market for the firms.

Table 2

Condition	***Description***	***Weight***	***Strategies of Minimizing POP***
1- Existing Product Existing Market	Searching Opportunities in Existing Market with Existing Product	4.56	*** Credit Card Scheme* *** EMI Scheme*
2- Existing Product New Market	Searching Opportunities in New Market with Existing Product	4.68	*** Post Paid Scheme* *** Zero Down Payment*
3- New Product Existing Market	Seeking Opportunities in Existing Market with New Product	3.98	*** E-Wallet Facilities* *** ECS facilities*
4- New Product New Market	Finding Opportunities in New Market with New Product	4.25	*** Removal of Price Tag* *** Delayed Invoicing*

The above table 2 shows the strategies being adopted by the companies in today's market. These strategies have been weighted by 626 respondents. The study try to establish the close relation among 'Ansoff Matrix' conditions with today's strategies. With the help of above table 2 it can easily be understand how each condition is matched with selling techniques while conditioning the buyers' pain of paying.

The highest weight (4.68) is observed with second condition wherein two very popular POP strategies are working first 'postpaid scheme' and second 'zero down payment'. Both the techniques reduce immediate pain of paying for purchases. According to 'Ansoff Matrix', this approach finds new opportunities with 'existing product in new market'. Both the schemes are old but companies are putting them in new areas or for new products to explore market for its full extent. For instance, postpaid& zero down payment were only available with few products range but today it is available with almost all types of products.

The second highest weight (4.56) is given to first condition i.e. 'existing product & existing market'. In this two potential schemes are identified viz. 'credit card & EMI', today with the help of these techniques customers have increased their purchases with almost no pain of paying. The third highest weight (4.25) is given to fourth condition i.e. 'new market & new product'. In this situation two strategies have been selected viz. 'removal of price tag & delayed invoicing'. Removal of pricing means, products are tagged with EMI price rather than actual price, by this mean customer do not get shock of pricing but easily get convinced for buying high price product as he is being showing the little amount of EMI which he is supposed to pay. Delayed invoicing means showing bill amount to the customers after long time of their purchases like credit card companies does. And the last strategy is 'new product & existing market' in which 'e-wallet & ECS' is found to be great strategies of reducing pain of paying. Customers are advice to use their e-wallet for payment by which means they do not feel pain while paying for products. Similarly, if paying through ECS again do not interrupt daily cash position of the cash.

Correlation between Ansoff Matrix and POP Techniques

Assumption: *Ansoff matrix is still best marketing practice to explore market opportunities and having more predictable results.*

Table 3

Correlations			
		VAR00001	VAR00002
VAR00001	Pearson Correlation	1	.61
	Sig. (2-tailed)		.836
	N	626	626
VAR00002	Pearson Correlation	.61	1
	Sig. (2-tailed)	.836	
	N	626	626

Variable 1 in Table 3 = Responses on POP techniques
Variable 2 in Table 3 = Responses on Ansoff Matrix's Conditions

The correlation table reveal the positive and significant relation between variable 1 & 2. It means strategies using for reducing POP to encourage more and smooth purchases is positively related to Ansoff Matrix. The Ansoff model is the base for such strategies and successfully applicable to the current market scenario. The test value (1:.626) represents close relationship between the studied factors. By this mean companies using strategic steps given in the Ansoff matrix to have more at market front and conditioning customers to have more purchases without having pain of paying.

Cross Sectional Study between Working Male & Working Female

Assumption: POP techniques does not have similar impact & influencing power on both working male & working female.

Table 4

Group Statistics					
	Gender	N	Mean	Std. Deviation	Std. Error Mean
Responses	Working Male	313	3.5836	.38935	.02201
	Working Female	313	3.9903	.72221	.04082

The test is found significant at 5% level of significance and the assumption stands as it is. It means POP techniques have different power of influence on working male and working female. The test reveals that both the groups have different experience and perception towards schemes available for making purchases more convenient and comfortable. The sig. value is found to be 0.00 < 0.05 which statistically proves significant difference between the two samples. According to the result, working female are found to be more inclined towards these techniques as their mean value is found 3.9903 > 3.5836 the mean value of working male.

Table 5

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference Lower	Upper
Responses	Equal variances assumed	103.722	.000	-8.770	624	.000	-.40673	.04638	-.49780	-.31566
	Equal variances not assumed			-8.770	479.233	.000	-.40673	.04638	-.49785	-.31560

CONCLUSION

Customers encountered with variety of schemes of payment for their purchases not only for facilitating different payment types or ease of payment but indirectly diverting them psychologically from the pain of paying huge amount for their purchases in cash. Series of studies have found that buyers restrict them for making heavy purchase by cash as it gives immediate pain to them, hence, marketers have designed various strategies through which customers' pain of paying cash can be minimize or reduce. Eight important strategies have been found which is being used to reduce POP of customers. Pain gives attention and alertness to the people about happenings and prepare them to avoid situations of pain. Customers have been observed in the market to protect themselves from heavy purchases or impulse buying or extra purchases by simply a stupid reason of not carrying cash in their pockets. They make themselves convince that if they don't carry cash they can't encourage for purchases, but marketers have invented series of financial tools and equipment by which they easily cut customers' throat at site. And the best part of these weapons is that customers never feel pain of paying for the products. Different payment methods have simplified the buying and paying process wherein customers do not feel high purchased. These techniques never let customers to give any excuse for not buying the products and stimulate them with variety of options. Ansoff matrix give guidelines for finding new business opportunities in the existing as well as new markets. The various payment methods have been grind into the Ansoff matrix to check their appropriateness and applicability to really get the advantage in the market by encouraging easy and hustle free purchases. All four situations of Ansoff matrix given the idea about how different payment modes tend to have steroid for more possible buying situations. With the help of this marketing model companies have invented and associated with variety of options of price payments. The new scientific and digital techniques bringing smoothness in buying-selling process with more comport, safety and ease. The methodology of Ansoff matrix and payment mode modulation have brought significant change in the market and lighten the new path of seeking selling opportunities.

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