

Carin Rehnér

Department of service management and service studies

Centre for Retail Research

Lund University

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## **Research Proposal**

### **Payment services in the retail market**

**Supervisors:**

**Cecilia Fredriksson**

**Jerker Holm**

# 1. Introduction and background

## 1.1 Value and definition of payment service

*"As to the money, I had no manner of occasion for it; It was to me as the dirt under my feet: and I would have given it all for three or four pair of English shoes and stocking"*

- Daniel Defoe *Robinson Crusoe* 1719

Making payments is a habit in modern society and an important part of everyday life. Payments are essential to the exchange of goods and services. "Payments are often seen as the fulfilment of a contract between two parties and occur before, during and after the transfer of rights to goods and services" (Hedman et al., 2013). In Robinson Crusoe's case, there was no one other than himself to trade with, there were not any goods in possession of another human, thus he had no need for money. The above quote is from a section where Robinson has just suffered a shipwreck and he returns to the boat to recover things of use to his continuing survival, he ends up retrieving the money to shore although he has this internal dialogue. Later in the book when he has spent years on the island he returns to the discussion on what is useful and the money he saved from the wreck:

*"I had not the least advantage by it, or benefit from it; but there it lay in a drawer, and grew mouldy with the damp of the cave in the wet season; and if I had had the drawer full of diamonds, it had been the same case, and they had been of no manner of value to me because of no use"*

(Defoe, 1719 (1996)).

From this quote we can reason that the value of a payment is in its usability, it is also an example of the degenerative nature of cash, as opposed to another "payment instrument" in the form of diamonds which are "forever" but still of no use to poor Robinson.

As Grönroos (2008) points out, the discussion on value-creation in the service perspective, was developed from a view that value for customers was embedded in the products; value-in exchange, to a view that the value for customers emerges in the

customer sphere as value-in-use and a value generating process. To revisit Robinson, it is apparent that the value of a payment instrument is not embedded in the instrument but in the process of *using* it as an exchange value and this requires a market with other actors.

The value discussion can also be related to the theory of network effects, where the value of a good (or service) is depending on its combination with other goods, and forms a systems market, for example an ATM and an ATM-card (Katz and Shapiro, 1994). Competition in a systems market as opposed to a one-good-market has issues regarding compatibility, expectations and coordination. For example, with investment in certain equipment there must be an expectation that it will hold for a period of time and be compatible with other devices that are complementary (Katz and Shapiro, 1994). Payment card systems are an example of a two-sided market, where the business creates value through bringing together two groups of customers. Another example is an auction house which need both buyers and sellers (Schmalensee, 2002). It is very difficult to get users on one side if there are not any users on the other side; one participant get more value the more participants there are on the other side (Schmalensee and Evans, 2009). Payment services is the mediator of an exchange, but the service offered must have enough participants on both sides to create value.

With the move to a more and more cash-less society and where the landscape of payment services is changing with new technologies (Arango et al., 2012) (Garcia-Swartz et al., 2006), the service perspective of payments become more apparent.

Service is something that provides value for the customer and can be defined as:

*”a process that consists of a set of activities which take place in interactions between a customer and people, goods and other physical resources, systems and/or infrastructures representing the service provider and possibly involving other customers, which aims at assisting the customer’s everyday practices”* p.5 (Grönroos, 2008).

As payments are the enabler for trade to take place, its important part in trade is often taken for granted. Unless there arises a situation where the payment is not working and the trade cannot take place. The ideal trade situation would be one that does not incur any costs. But transactions are subject to costs and payments impose costs in individual

trades and to society. However if the payment services provide value to the customer it is intuitive that such a service will be related to costs. To study the costs of the service is also to study its value in a more tangible way. As payment instruments vary in their cost and characteristics depending on the transaction, a question on which is the most efficient one has arisen, in particular from the perspective of different central banking authorities, for example in; Brits and Winder (2005); Segendorf and Jansson (2012a); Humphrey et al. (2006).

## **1.2 Introduction to research problem**

The total turnover in retail is money flows that are mediated through payment systems at the point of sale. These systems or services are ruled by contracts between the retailer and the payment service provider and involves different actors. The systems are crucial for the distribution and selling of goods and services. Payment services create value for the different customer groups by mediating the exchange. It is however more the responsibility for the retailer to offer the payment service to their customer in order to sell their goods, rather than that the consumer to offer different payment instruments to the retailer. In most occasions it is easier for the consumer to desert to another retailer if the payment system offered is not corresponding to their need rather than the retailer finding another consumer. This however can depend on the competition that faces the retailer. As mentioned the issues in a systems market are compatibility, expectations and coordination. The retailer must choose a payment system that is expected to be compatible with existing routines and /-or hardware, if the retailer do not choose to change the whole system, which might be subject to restrictions because of previous contracts. The system must also be compatible with the retailer's customers preferred ways of paying, hence choosing implies coordinating with the customers ways of paying. The retailer would also choose a system that creates value or minimizes the costs of the exchange, here the price of the hardware, software of the system as well as the service maintenance, transaction fees and perhaps integrated accounting systems are all costs that need to be considered. With regards to the characteristics of the payment system such as security this can be seen as a part of the value proposition from the service provider of the payment system to the retailer.

To highlight some of the problems that the retailer can encounter when it comes to payments I give an example from a pilot-interview with a one-store retailer:

*”You have to have a cash machine, that is a requirement from the authorities. And then there is a black box in between them (cash machine and the card terminal) that record everything that you do. It is practical that you can enter the amount in the cash machine and the same amount appears in the card terminal, it has worked very well earlier. But now the company that owns the terminal updates the software every night, and then it does not work anymore. And the same company is responsible for our cash machine. We have had a middleman and they do not know how to solve it either. I don’t like them (the company responsible), you call them but you can never reach them. It is stupid because it is very old-fashioned actually. If you are a small store you usually have a counter and everything is attached, the cash machine is attached, card terminal is attached in a cord, and it is very unpractical, and there are wireless card terminals but they are connected to the GSM network, and we have bad signal in our store so it does not work. I do not understand why they can’t use Wifi, like you use for all your devices at home. In Asia they have had wireless card terminals in this way for ten years I think when I have visited Asian countries. (...) We pay about 1 % of our turnover only in payment fees, and they do nothing for it, the banks have a monopoly and the people who do the card terminals basically also have a monopoly because there are only a few systems available”.*

Here the retailer experience that the change is not fast and the system is pretty old-fashioned. The service provider does not seem to care about the retailer and he/she does not like them. It is also interesting with the frustration of how the payment system is “attached” and unmoveable which the retailer expresses is inconvenient.

There is also a dissatisfaction of the payment system services being non-existent in practice, as “they do nothing” even though the retailer pay a large amount in fees. The competition among service providers is perceived to be low and therefore there is little possibility to negotiate for the retailer.

I will here discuss the aim and objectives of the research. To fulfil the aim and objectives I propose subsequent articles with research questions as part of the overall aim.

The research aim is driven by recent developments in the retail payment market with an increasing number of different service providers, new technology and a declining usage of cash. Areas of debate that motivate this aim includes policy:

<sup>1</sup> <http://www.riksdagen.se/sv/Dokument-Lagar/Lagar/Svenskforfattningssamling/Lag-2010751-om-behandlingens-forsamtal-depp-2010-07-19/forsamtal-depp-2010-07-19> Accessed 2015-03-18

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facilitate competition and make it easier for new entrants, and also enable retailers more to select which payment cards to accept. The Swedish Trade Federation stated that they are very positive to the decision, but that the politicians in Sweden now have a responsibility to make sure that banks do not raise other fees<sup>4</sup>. I will in the next section explain where the now cap-based *interchange fee* occurs.

By following current legal documents I could be able to identify what has been problematic in the retail payments and how different aspects of the market are in need of regulation that can show failures that might not have been efficient from a societal point of view (assuming that policy aims at increasing social welfare). This can show how payment services are shaped on a more institutional level, which largely affects how they are formed and negotiated in the market.

To my knowledge there has been little research on the retailer perspective of payments, and the optimal payment system from a retailer's point of view. Therefore it is interesting to focus on the retailer view on payments in order to fill a knowledge gap. There is also a need to analyse how the market for payments is organised especially since there are new payment intermediaries emerging and new ways of paying which has implications for competition.

## **2.1 Technical system and infrastructure for a card payment**

Receiving payment within a service is largely a temporal, but returning practice for the payee and payer. Where the doing for the retailer in a physical store receiving a card payment consist of entering an amount into the cash register and the card terminal (if it is not automatically handled between them), telling their customer to enter a pin number, pressing a button to confirm, saving one receipt and giving the other receipt to the customer. This is the first of three stages in the payment system, the one of initiation, where an instruction is sent from the payee's bank to the payer's bank (or the other way around depending on the type of payment being a push or a pull transaction). So after the pressing of a couple of buttons, the system continues to work to process the payment. The two following stages in the payment process can be divided into clearing and settlement, the majority of the retail payments in Sweden are handled in Bankgirot,

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<sup>4</sup> <http://www.svenskhandel.se/Press/Pressmeddelanden/2015/Maxgranser-for-hoga-kortavgifter-i-EU/>  
Accessed 2015-04-28

a settlement institution (Riksbank, 2013).

A card transaction can be quite complicated. I include this example because it shows that there are several actors involved and since the literature on interchange fees is extensive, it provides insight to when this fee occurs and why it has become an issue. It can also be seen as part of the price that the merchant pays for the payment service.

As described in Riksbank (2013), usually a card payment consist of a four-party system for example Visa and MasterCard, where the card issuer and the card acquirer can be different companies. The retailer has an agreement with the acquirer company to guarantee that payment is received from the buyer's bank. The buyer (the retailer's customer) has an account with the card-issuing bank. When a payment is initiated in a card payment, the card-acquirer requests payment from the card-issuing bank. Here the seller pays a transaction fee to the card-acquirer for mediating the payment. In turn the card-acquirer pays the card-issuer an *interchange fee* for its work.

In the process of the request from the acquirer to the issuer, the flow of information is directed by *payment switches* to make sure the correct account is contacted. These switches communicate with the *payment processors* who in turn authorise the payment, making sure that the card actually exist and works. The processors systems are directly connected to Visa and MasterCard and send instructions for clearing through these systems. The payment processors are also responsible for testing and approving the payment terminals that are available in the market, however the requirements for testing are set out by Visa and MasterCard and they are ultimately responsible. There are supplementary services offered to the retailer in the form of integrated cash systems, because the payment switches can "translate" the communication from the card terminals into a technical language, which can be used in the cash register system (Riksbank, 2013).

In Grönroos (2011) he argues that it is the customer who is the value creator in a business relationship. This is related to the earlier discussion that a service is a value-in-use, the customer is the user of the resources and therefore the value creator. In marketing and business, this notion can be used for practitioners in order to formulate and calculate their value proposition to their customers. How do the retailer choose its payment system according to the value that the service create for the retailer? This

could depend on the characteristics of the retailers business but also the available value propositions from service providers and how the consumer prefers to pay, this relates to the characteristics of a systems market discussed earlier.

### ***3. Overview of Previous literature***

Here I provide an overview of research, related to payments, that I have encountered. I begin with previous literature studies and move on to how I would categorise the different strands of payments research. This is conducted in order to identify the research field of my project.

There are previous literature studies related to payment research, where they have taken an approach to study previous literature on payments from a disciplinary perspective or a certain issue (Hedman et al., 2013). There are for example reviews of research on mobile payments (Dahlberg et al., 2008) and research on interchange fees (Verdier, 2011).

In Dahlberg et al. (2008), a literature review on research on mobile payments is conducted. They categorize the research using Porter's five forces and contingency theory. They conclude that the most researched area is the consumer perspective on mobile payments and related technology. The areas which are undiscovered are cultural and social factors impact on mobile payments, as well as the relation between traditional payment methods and mobile payments. They propose that the most critical research theme out of three is the "optimal portfolio" of payment instruments and that the relationships between mobile payments, electronic payments, traditional payments and banking services are not clear. The role of merchants have not been comprehensively studied either, since most studies are concerned with business-to-consumer relationship. Thirdly their literature review call for more theory based empirical studies (Dahlberg et al., 2008; Arvidsson, 2014).

Their literature review and proposal for further research show that it is difficult to study only one payment instrument in order to understand the studied instrument. The payment market is interconnected with its services and actors, and therefore it is important to understand the market for payments also in order to understand isolated

payment instruments.

One literature review takes an interdisciplinary approach, and attempts to summarise previous payment research into different themes, mainly; payments and spending, intention to adopt mobile payments and consequences of payments to society (Hedman et al., 2013). This review concludes that while the consumer choice of payments has been largely researched, the question as to why a certain method is chosen needs further investigation. They also find that the reviewed research is largely reliant on quantitative methods, suggesting that a qualitative approach could provide a more holistic understanding on preference to different payments. This review has, although attempting to gather different strands of research, a focus on behavioural issues related to payments.

From the body of literature I have read on payments I have selected topics and articles that I find representative. It is not an integrative literature review nor a conceptual framework, but somewhere in between (Rocco and Plakhotnik, 2009). It has provided an overview of the different topics related to payment research. For my project I need to systematize the literature according to the aim of my study.

I would divide the literature on payments into the following categories depending on the focus on the study:

**1. Adoption of payment methods** (Ally and Toleman, 2004; Slade et al., 2013; Mallat and Tuunainen, 2008; Mallat, 2007). This topic usually applies theoretical framework of technology acceptance model, TAM (Davis, 1989) and diffusion theory (Rogers, 1995). The rationale for studying this is often to find ways to facilitate the move to more use mobile payments, because it can reduce costs (Arvidsson, 2014).

**2. Digitalisation, innovation and new technology** (Schmalensee and Evans, 2009; Segendorf, 2014; Flatraaker, 2013; BIS, 2012; Linné, 2008; Fumiko and Bradford, 2014) These studies provide an overview of innovation in payments, success and failure stories, transition to new ways of paying including internet and mobile banking in the last century and currently. They usually conclude with predictions of which payment instruments will prevail in the future and its implications.

**3. Competition and regulation; Two-sided markets, platform pricing and interchange fees** (Rochet and Tirole, 2008; Schmalensee, 2002; Rochet and Tirole, 2011; Rochet and Tirole, 2006; Rochet and Tirole, 2003; Rochet and Tirole, 2002; Holm, 2010; Evans and Schmalensee, 2005; Wright, 2012; Schmalensee, 2011). This literature deal with the pricing of two-sided platforms, the level and structure. The structure of pricing varies and the two different groups of customers can be subject to asymmetric pricing. In the example of payment card industry, the merchant pays a fixed cost for accepting card and a per transaction cost, whereas the consumer sometimes pay a membership fee, but it usually becomes negative because of reward programs. Is it possible to determine the social optimal interchange fee and should governments bother to regulate fees are some of the questions in this topic.

**5. Cost and benefit of different payment methods** (Guibourg and Segendorff, 2007; Hayashi and Keeton, 2012; Berger et al., 1996; Segendorf and Jansson, 2012b; Segendorf and Jansson, 2012a; Bergman et al., 2008; Humphrey et al., 2006; Brits and Winder, 2005). In Berger et al. (1996) a framework to estimate costs in payment systems where risk is included is proposed, and how technological, financial or regulatory innovation can affect costs. Later studies focus on social cost of different payment instruments depending on the amount of the transaction. These studies are mostly done by economists at central banks. Within EU there is collaboration regarding the issue of calculating costs for retail payments (Segendorf and Jansson, 2012b). The objective for determining the costs of payments is to set adequate regulation in order to lower the costs for society.

**6. Money demand, consumer choice of different payments methods and payment behaviour** (Arango, 2011; Arango et al., 2012; Arango et al., 2015a; Arango et al., 2015b; Bolt et al., 2010; Ching and Hayashi, 2010; von Kalckreuth et al., 2014; Klee, 2008; Ragot, 2014; Runnemark et al., 2015; Stavins and Shy, 2015) This research can be traced back to the demand for cash as discussed in Baumol (1952), with the demand for cash modelled in proportion to the volume of transactions, using an inventory theory approach. Tobin (1956) extends this model with the cost of holding cash in relation to interest-bearing instruments. The more recent research deals with the consumer's choice of payment method depending on context and amount. For example Arango et al. (2015) uses consumer shopping diaries (same methodology is used in Kalckreuth et. al.

2014) to determine the consumer choice of payment instruments in Canada and introduces different variables that might influence the choice, such as demographics or perceived merchant acceptance of different methods. The spending behaviour can also differ depending on the choice of payment; people tend to spend more using a debit-card than cash (Runnemark et al., 2015).

**7. Meaning of money, relations and “ear-marking” of monies** (Zelizer, 1997; Zelizer, 1996; Dodd, 2011; Dodd, 2013; Graeber, 2014). Money and payments have different meanings in different contexts, as for example certain accounts for certain purposes, a move toward more electronic ways of paying does not necessarily mean more standardization but the earmarking can take new forms (Zelizer, 1996). On a more macro-level the relation between money, capitalism, religion and different forms of debt is discussed and the morality of money.

Other topics which I have not given a specific category but still relevant are; Privacy and security issues, which emerge in the research related to cost- benefit, regulation and consumer adoption (Arango et al., 2015b). Another issue regards social inclusion/exclusion with money, which is related to the topic of digitalisation or as a consequence there of (Dancey, 2013) also in Linné (2008). There is also the more historical view of money, value, origins and trade, which is related to the above category of the meaning of money, and the application of modern theories of money to historical artefacts (Ferguson, 2009; Graeber, 2011; Graeber, 2001; Simmel, 1900 (2004); Patterson, 2014). Another issue related to money and payments is the emergence and examples of local currency and community money as a basis of trade and exchange in closed and smaller group of people, or tribal means of exchange (Peacock, 2006; Malinowski, 1999). The questions raised include what the function of local currencies is in relation to national currency, and why people engage in community money.

The disciplinary fields in this survey include information systems (IS), marketing and business, economics, sociology and anthropology.

There is of course an overlap of disciplines dealing with the various topics, but I will attempt a rough division here. The IS literature is mostly dealing with the issue of

adoption and diffusion of new payment instruments. Here the research is mostly concentrated on mobile payments and there is an objective to find ways to increase the adoption of mobile payments as it has a potential to decrease costs (Arvidsson, 2014). The cost reduction argument comes from the economics literature and the calculation of costs. The marketing and business research concerns the consumer and the usage of different payment instruments impact on spending, perceived value and business strategies to increase spending. Economics literature is concerned with competition, two-sided markets and the cost of payments. Sociology and anthropology discusses the meaning of money and how it is used differently in society.

### **3.1 Positioning**

I find all the different perspectives very interesting and especially the different uses of money in society throughout history, because it brings insights to payments as a non-uniform means of exchange. I will study payments from an interdisciplinary perspective of service studies and mainly contribute to the literature within retail. I find it interesting to study payments because it is at the core of a transaction that enables the everyday life of people in the exchange of goods and services. Payment can be viewed as a service that facilitate trade between consumers and retailers and creates value. In this research I will take the retailer perspective because previous studies have focused mostly on the consumer side of the trade, and the retailer perspective is important to study in order to gain understanding of the whole retail payment market and its impact on society. This study will contribute to the payments research with the retailer perspective and the view of payments as a service, but also to the retail field and service studies in which payment research has not been extensive.

Given the previous literature on two-sided markets, to investigate this “two-sidedness” an account of the retailer perspective is needed. The retailers are one of the main groups in the payment market that to a large extent affect which payment services are offered. This group is important to understand in order to see how payments are formed and negotiated.

### 3. Outline of the papers

To fulfil the aim of the project of *how payment services are formed and negotiated in the retail market*, I propose an outline of articles with research questions that reflect this aim. The titles of the articles proposed are:

1. *The retailer perspective in payment research, a systematic integrative literature review*
2. *The value of payment services for a retailer*
3. *Following the payment service to uncover the black box of payments*

I will present the proposed articles in terms of suggested methodology and theory.

There is also a possibility that number 2. and/or 3. could be divided into two separate articles. I am also open for adding an article with a different theme or a specific case-study depending on what future gathered empirical material can tell.

#### 1. Systematic integrative literature review of payment research as a service from the retailer perspective

The research question of the paper: *How are payment services defined in a retailing context?*

As described in the overview of previous literature on payments the retailer perspective has not been elaborated. There has also been a focus more of the instrument as such, for example mobile payments, which impedes the understanding and definition of payment as a service. To test if this impression of the literature is accurate and to investigate which theoretical perspectives and methodological approaches that have been applied to payment services in a retailer context I propose an integrative literature review as described in for example Torraco (2005).

The integrative literature review will facilitate the rest of the articles in the dissertation by highlighting theoretical, methodological and empirical perspectives that have been previously applied to payments.

The literature will be selected on the grounds of:

- (1) Viewing payments as a service.

(2) Retailer perspective on payments in terms of; empirical gathered data from retailer or a theoretical perspective that has the retailer as the object of study. The literature will be identified by using an appropriate search of key words in SSCI.

## **2. The value of payment services from a retail perspective**

The proposed research questions are:

- (1) *How does the retailer choose his/her preferred payment system?*
- (2) *How does the cost of payment services differ depending on retailer characteristic, such as turnover and the competition that the retailer faces?*

How the retailer chooses the preferred method can represent a part of the *value-in-use*, as discussed in the introduction, for the retailer. It is assumed that the retailer chooses a payment service system that brings value or minimizes costs.

To investigate the value of payment services a survey among retailers will be conducted. This can also show payment systems vary among retailers. I have not yet decided on which grounds retailers will be selected for the survey. One point that could be interesting is what differs in the retailers operation in terms of payment services between online and physical store environment. The online channel is different to the physical store since there is no possibility to accept cash payments, there is also presumably more suppliers of payment services to choose from than in a physical store and invoice alternative being much more prevalent. There would be issues regarding security of a payment that is perceived as more uncertain online for the retailers customers. If this will be investigated, retailers that both have an online and offline store must be chosen. This criterion would mostly apply to larger retailers, which would limit the study. Another option is to focus either on online environment or brick-and-mortar retailers. In case of only brick-and-mortar would limit the understanding of the whole market, since growth in online retail has been significant during the last couple of years (e-barometern 2014)<sup>5</sup> and this market could have easier access for new payment service entrants. With only online retailers it will limit the study since although a steady growth in online retail, it is still a small part of total retail turnover, and it would also rule out the cash option from the study.

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<sup>5</sup> <http://www.posten.se/sv/Foretagspost/e-handel/Sidor/e-handelsrapporter.aspx> Accessed 2014-04-29

The empirical material will also consist of in-depth interviews with retailers and retail organisations. This can show the different value propositions that face the retailers in more detail and how they reason when they choose a payment service system.

The theoretical framework for analysing the value will be transaction cost economics and network externalities. There is a lack of empirical support as to the reasons the retailer chooses to buy payment services rather than offer them themselves, as described in Evans and Schmalensee (2005) p.24: *"There is also at least anecdotal evidence that these are benefits that merchants receive at lower cost from general purpose payment cards than they could have provided themselves through store card programs"*. The benefits referred to are an increased spending behaviour of the customer with an all-purpose card. It would be interesting to analyse why the retailer do not have a payment system of their own? Or why in cases where they do. This can give insights to the organisation of the market for payment services and why there is a market.

To analyse these questions a theoretical framework of transaction cost economics is proposed. Transaction cost economics is mainly concerned with the governance of contractual relations in organisation theory (Williamson, 1993). In contrast to classical economics, where the organisation is analysed through the lens of choice with respect to supply, demand, price and output; transaction cost economics emphasize to look at the purpose of economizing economic organization through the lens of contract (Williamson, 2009). Economizing means that man is assumed to strive for an effective use of ones activities and not to be wasteful (Williamson, 2009). Tracing back to Coase (1937) the treatment of firms and markets as separate forms of organisation and the mechanism determining the different forms of organising was the transaction cost ("Markets and Hierarchies" in (Williamson, 2013). Except from the form of organisation in markets and hierarchies, there is also the network form of organisation (Aspers, 2011) ; (Thompson, 2003). There are different approaches to transaction costs, for example North (1984), emphasize the role of the government and the cost of specifying property rights as the underlying cost driving factor, *"Intimately involved with the costs of transacting is the role of government in specifying and enforcing property rights"* (North, 1984, p. 255). He further discusses that the costs of exchange has increased as a consequence of an impersonal environment where every individual maximize their margin of the exchange. In terms of payment intermediaries, the

interchange fees can be seen as a symptom of this, where now the government (the EU) has had to define the “property rights” of the exchange by setting a cap.

Transaction cost economics can serve as an analytical tool for analysing the retail payment market. There is a contractual aspect of when the retailer chooses its payment provider (or chooses to have his/her own solution), e.g what the most efficient payment system for the retailer is. Analysing payments through a theoretical framework of transaction cost economics could add insights both to the literature on payments and to the applicability of transaction cost economic theory.

### **3. Following the payment service to uncover the black box of payments**

The proposed research question:

*(1) What are the particular notions of payment services and how are they translated between the different actors in a payments landscape?*

To study the question I will use Actor network theory (ANT) and neo-institutional theory as an overarching concept to study payments. It is appealing because of the view that non-human actors can be just as important as human actors. Since payment services are largely consisting of technical systems and as described with the card transaction, many of the stages in a payment are performed with different actors such as the payment processor, payment switch and settlement institution. As described in Latour (1991), you need ANT for topics where things are changing fast and where the boundaries are fuzzy. Other social theories are dealing with things that are already known. The payment market is believed to be in a transition of change, where cash is used less and new services are entering the market, ANT could be suitable perspective to analyse the formation of the market.

The methodology of translation is described in Muniesa (2013) p.6: “*A translation, in ANT’s sense, is an operation that transforms one particular problematic statement into the language of another particular statement: tackling problematic statement A in its own terms means in fact shifting terms and therefore tackling problematic statement B*”. This is also elaborated on in Latour (1991), where the credibility of a claim is tested by comparing different versions from the informants of the same syntagm.

For example this method could be applied to the newly formed *Retail Payments Council* by the Swedish Riksbank. The council consists of associations active in the payment

market, for example the Bankers' Association, Swedish Consumers' association and the Swedish Trade Federation. The retail payments council objective is: *“To contribute to the economically-efficient production and consumption of safe, efficient, accessible and appropriate payment services on a market characterised by competition on equal terms and well-balanced regulation”* (Riksbank, 2015).

How would then “safe, efficient, accessible and appropriate” translate into an action or different context?

The empirical material can consist of regulation and policy documents, sentiments and objectives from industry cluster activity such as lobby groups and trade organisations (for example Svensk Handel) and news articles. It could also bring a deeper understanding to the institutional dynamics of the market and complement transaction cost theory.

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