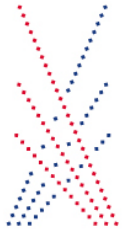

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This paper is from the BAM2019 Conference Proceedings

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Sightseeing the Effects of Digital Payments on Generation Y's Buying Behaviour: Digital Marketing Perspective .

Abstract

The aim of this research project to explore whether digital payments have any effects on generation Y's buying behaviour in London and would these effects lead to any change in their buying behaviour in the future. The objectives were to test the relationship between digital payments and generation Y's buying behaviour. Furthermore, it was to determine how generation Y perceives the concept of digital payments and whether effects of digital payments were in any way connected to the generation Y's indebtedness, which was reviewed in the literature. The study followed a positivist research philosophy and quantitatively approached to collect primary data from target respondents aged between 18-44. Thereafter, the data was quantified using the deductive strategy to empirically analyse and test the relationship between digital payments and generation Y's buying behaviour in London. Findings revealed that 98% of the generation Y use digital payments for their purchases. Whilst 77% use more frequently as compared to 23% who use occasionally but only 61% percent clearly perceived the concept of digital payments. Moreover, it was discovered that the use of digital payments influenced 85% of the participants' buying behaviour. Whereas, 64% of the generation Y participants said that their spending has significantly increased since they have started using digital payments. Finally, it was established that 88% of generation Y would continue using digital payments in the future but data and payments security remain their primary concern.

1.0 Introduction

The concept of digital payment is known as the payments made using bank cards, online funds transfer and through mobile applications (Gosh et al., 2017). At the end of 2016, the value of digital payments has exceeded over £2.5 trillion (Finextra, 2017), which is expected to continue its growth at the rate of 10.9% each year until 2020 (WPR, 2016). The world payments report (WPR) has further affirmed that globally the volume of digital payments would reach 726 billion transactions at the end of 2016 (Capgemini, 2017).

The UK consumer digital payments' industry is one of the fastest growing in the world, and currently, over 74% of the UK population uses digital payments to buy products and services (VISA Europe, 2016). Furthermore, the UK digital payments market is expected to exceed over £400 billion by 2020 (Accenture, 2016). In fact, BBC News (2017) has reported that over 81% of the younger generation – aged between 18 to 44 known as generation Y (Oxford Dictionaries English, 2017) has adopted digital payments as their primary mode of payments when buying products and services. However, Inman and Treanor (2017) have argued that disproportionate use of digital payments may be having adversarial effects on generation Y's buying behaviour (Financial Conduct Authority, 2014). The FCA has also warned that consumer debt has exceeded £200 billion as of March 2017 (Kollewe, 2017) and younger generations could be more vulnerable to debt crisis as result of digital payments (Inman and Treanor, 2017).It is premature to say at this stage whether digital payments have any effect on generation Y's buying behaviour. Therefore, this research aims to explore the relationship between digital payments and generation Y's buying behaviour in London and areas of potential study. This study will adopt a systematic approach and collect primary data which can be empirically analysed to understand and assess whether digital payments have any effects on generation Y's buying behaviour. This study aimed to identify and assess whether digital payments have any effects on generation Y's buying behaviour and would these effects lead to any changes in generation Y's buying behaviour in future. The study will quantitatively conclude its findings and make recommendations to business managers working

within the digital payments industry.

1.1 Research Contribution

A study is accustomed to having its defined rationale, justifying why the topic deserves further research (Bryman and Bell, 2015). Therefore, the proposed research project on digital payments' effects on generation Y's buying behaviour in London has its socio-economic value in relation to quantitative and evaluative research.

1.1.1 Academic Importance

The value of digital payment industry in the UK has exceeded £250 billion and is expected to reach to £400 billion by 2020 (Accenture, 2016). Whereas, the predominant users are generation Y of whom over 81% solely rely on digital payments (BBC New, 2017). Whilst previous studies have mainly focused on generic population and may have overlooked the symbiosis between digital payments and generation Y's buying behaviour. Therefore, by filling this gap, this research could be significant in assessing whether digital payments have any effects on generation Y's buying behaviour.

1.1.2 Practical Importance

This study will enhance the understanding of the ways in which digital payments may have any effects on generation Y's buying behaviour. By understanding this behaviour, the study could reduce the potential risk of digital payments adversarial effects on generation Y's buying behaviour. This research will assist business managers to effectively plan their business strategies by taking generation Y's buying behaviour into consideration, which could minimise and hypothetically eliminate any concerns about digital payments adversarial effects on generation Y's buying behaviour.

2.0 Literature Review

2.1 Background of Digital Payments

The adherent notion of digital payments has been around since the 1960s (Gosh et el., 2017) that formed the basis of the electronic transfer of money and making payments digitally (ibid). However, its broad definition was narrowed by Gosh (2017) who described digital payments as the payments made by payment cards, online payments and payments made through mobile applications (Gosh et el., 2017)

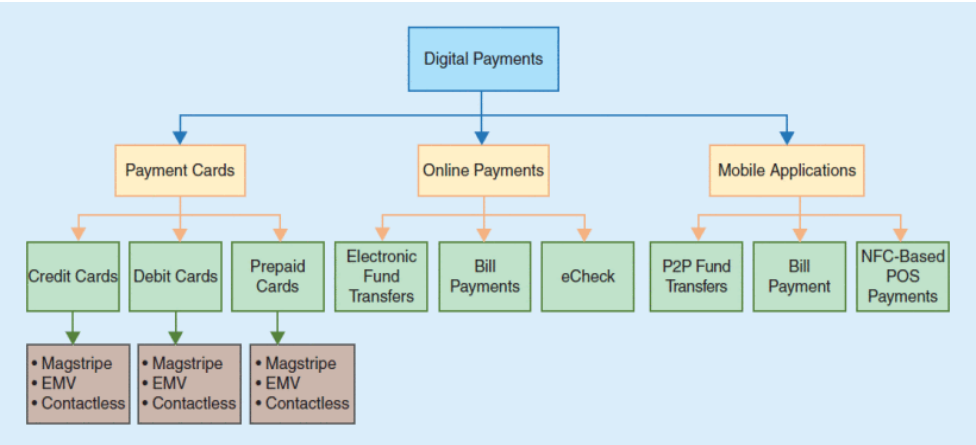


***Figure 1**, Source; Digital Payments, Source: Gosh et al., 2017*

Gosh also asserted that digital payments would ultimately become the primary mode of payments within the 21st century (ibid). This assertion is believed to have laid the foundation of modern-day methods of purchasing goods and services. However, this leads to a perception that cash could

eventually disappear and are there any disadvantages of complete reliance on digital payments. These questions formed the basis of this study to explore and analyse the effects of digital payments on generation Y's buying behaviour, particularly in London which is considered as the global financial centre for economic activities, fintech and adoption of digital payment modes (BBC, 2017).

2.2 Digital payments market scope in the UK

The WPR report confirmed that the UK consumer digital payments' industry is one of the fastest growing in the world – currently, over 74% of the UK population uses digital payments to buy products and services (VISA Europe, 2016). Whereas, the UK digital payments market will exceed over £400 billion by 2020 (Accenture, 2016). The UK Cards Association (2017) found that 73% of all products and service will be bought using digital payments by 2020.

2.3 Challenges facing digital payment industry in the UK

Although, the UK digital payments industry is one of the fastest growing in the world (WPR, 2016). However, it has many challenges such as legal compliance, data security and adherence to regulatory requirements (FT.com, 2017). This leads to the continuing adaptability and threat of reverse effects where consumers may start to reduce the use of digital payments or could revert to alternative methods of payments such as cash or cheques (Inman and Treanor, 2017).

2.4 Digital payments – Financial Institutions' perspective

Although, the (above) facts and figures may suggest that the digital payments industry is functioning in a perfectly balanced way. However, a study conducted by JIGSAW consultants on behalf of FCA has suggested a causal link between digital payments and consumers buying behaviour (Financial Conduct Authority, 2014). The study expanded that since 2014, the financial institutions have pushed the consumers to adopt digital payments as their primary mode of payments. Furthermore, the UK government's cashless economy initiative has further encouraged consumers that have seen a significant increase in volume and value of digital payments (Sheffield, 2015). Additionally, Judith Burns of the BBC has discovered that over 81% of young people aged between 18 and 44 depend on digital payments as their primary mode of payments when buying products and services (BBC News, 2017).

2.5 Critics of Digital payments – Academics' perspective

In fact, Inman and Treanor (2017) of the Guardian and Kollewe (2017) of the FCA warns that the UK consumer debt has increased to over £200 billion, which is even higher than the last financial crisis in 2008 (FCA, 2017). They have claimed that younger generations could be more vulnerable to the debt crisis, an argument supported by the Debt Charity UK (2017) that assists people in financial difficulties. This argument was also supported by the Step Change UK (2017) – a charity that assists people in financial difficulties who claim that over 10% of all the new enquiries they received were from people of younger generations (The Step Change, 2017).

Moreover, the pattern of digital payments' security and reliability has also long been paramount to all governmental and financial institutions. The European Central Bank (ECB, 2014) has conducted studies which discovered that security and reliability would become a primary challenge to the digital payments industry. Therefore, the issue of security and reliability also present a significant challenge; where 81% of mobile shoppers said they have a negative experience online surrounding digital payment, which affected them, and they would change their buying behaviour (Accenture, 2016).

Likewise, the data breach could also have a significant effect on consumers' buying behaviour as in the recent case of UBER where the Information Commissioner's office confirmed that over 2.7 million consumers lost their payment details (Ico.org.uk, 2017). Also, the Financial Fraud Action UK has reported that over £608 million was lost through digital payments in 2016 which was an

increase of 9% as compared to 2015 (Financialfraudaction.org.uk, 2016). These incidences have led to discussions on how consumer details could be protected to their satisfaction especially since generation Y is the largest majority who frequently uses digital payments. The issues of security and reliability could become a dominant factor to ensure generation Y would be protected so that digital payments could be more reliable and ultimately more useful.

To sum up the above mentioned, the literature review has presented two contrasting views, on the one hand, academics such as Inman and Treanor, Burns and many other independent experts such as the Debt Charity and the Step Change believed that digital payments have a significant influence on consumers' buying behaviour. On the other hand, financial institutes such as banks and digital payment operators argued that digital payments be the new technological modes of making faster payments at a lower cost and have no effect on consumers' buying behaviour. Since there is a lack of agreement and previous studies have predominantly focused on overall consumers buying behaviour, this study will focus on "digital payments' effects on generation Y's buying behaviour in London".

3.0 Research Methodology

This section defines here the methodology that will be used to conduct this research project – where data will be empirically analysed to answer the questions and conclude this study. As the literature review affirmed that there is a difference of opinion amongst the financial institutions and academics on effects of digital payments on consumer behaviour. This study on "exploring the effects of digital payments on generation Y's buying behaviour in London" tendered to test the relationship between the variable empirically. Therefore, this research followed the *positivist* research philosophy. That entails the concept of accepting the existing theory and objectively applying that into practice without any changes to test the relationship between (variables) – digital payments and generation Y's buying behaviour (Saunders et el, 2016). this study adopted a quantitative approach, where all the respondents were asked the same set of questions (De Vaus, 2014) – a technique, which is used to collect data due to the large samples that would be required for quantitative analysis (Kelley et al., 2003). There are many advantages to using this approach such as large empirical data could be collected within a limited time at a minimal cost (ibid). Moreover, the quantitative data analysis could be conducted through SPSS methods and generalised to make them reflective of the population size – a method that is widely accepted by the researchers (Bryman et al., 2015). Since the nature of this study was to accept the existing theory – therefore this study used a deductive approach to evaluate the data to establish (Bryman, 2015) whether digital payments have any effects on generation Y's buying behaviour in London. This approach is known as the scientific measuring of the effects of an independent (digital payments) variable onto the dependent (generation Y's buying behaviour) variable to establish a causal relationship between the variables (Saunders et al., 2016). Saunders (2016) considered this strategy to be the most appropriate for this type of studies where the focus is on using the quantitative data to test the theory statistically (ibid).

3.1 Data collection procedures

To research aim , this study collected primary data through a self-administered and structured questionnaire. The reasons for collecting primary data are to acquire first-hand information and conduct an empirical analysis to answer research questions and obtain its objectives. This method gives the respondent a complete autonomy to answer the questions in a predetermined order to the best of their experiences without interference from the researcher (De Vaus, 2014).A questionnaire presents the researcher with a choice to structure all the essential questions systematically and provides an equal opportunity to all the respondents to answer the same questions without any flexibility (Saunders et el., 2016). This approach of data collection is primarily used in quantitative studies – mainly where the nature of a study is exploratory that seeks to establish/experiment a

causal relationship between variable (ibid). Whilst, a survey adopts a flexible approach where research questions could be altered or amended along the way when collecting the data (Saunders et el., 2016). This type of data collection method is generally used in qualitative research where the aim is to develop a conceptual framework and add a theoretical contribution (ibid). Therefore, this research used a questionnaire to collect primary data to conduct this study.The researchers adopted the cross-sectional design to collect all the requisite data at once from the target respondents. This approach is favoured where availability of time and resources are limited/restricted/inadequate to collect reliable primary data (Saunders et al., 2016) – particularly, where a specific phenomenon is required to be studied to overcome or resolve a problem with a solution by quantifying the data analysis (Ibid).In fact, the data was collected from the generation Y (18-44) target respondents at three different locations. 1) University of West London, B) Brunel University London and C) The Ealing Shopping Centre. Altogether 110 completed questionnaires were collected of which 100 were qualified to valid to be used for this research – this included 49 Females and 51 male participants.

3.2 Sampling technique and sample size

It could be extremely difficult to include the entire population when conducting a study (Saunders et el., 2016). Therefore, sampling techniques are used to generalise the data to view that to be the representative of the entire population (Bryman and Bell, 2015). These techniques include probabilistic and non-probabilistic techniques of data collection that could be used to conclude a study (ibid).Therefore, a non-probabilistic and convenience sampling technique (known as Haphazard) was used to collect primary data, which was convenient for the researcher (Saunders et al., 2016). This technique allows the researcher to choose the samples randomly, so long as they meet the requirements of the study; such as people from the age group as defined in generation Y (Ibid). The principal advantage of using this technique was that it facilitated the researcher to include all respondents who use or may have used digital payment methods to purchase products and services in the London. Furthermore, this data sample would also be representative of the population – an approach that is used to assert the research credibility (Saunders et al., 2012).

4.0 Descriptive Analysis

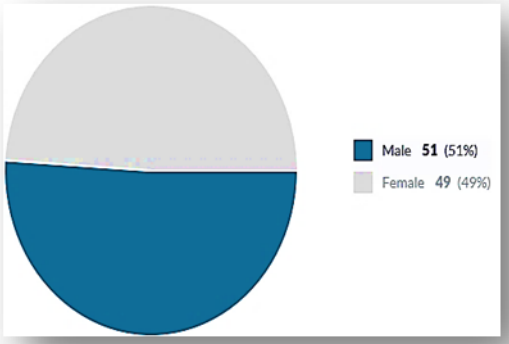
This section devoted to present an in-depth analysis of the findings and conclude the results of this study. The questionnaire begun with some demographic questions used to describe the target respondents. In order to ensure that relevant population and gender representation could be incorporated, participants were given complete autonomy of whether to participate in this study.In total, a set of 110 completed questionnaires were received of which 100 responses were validated and finalised to be used for this research project.

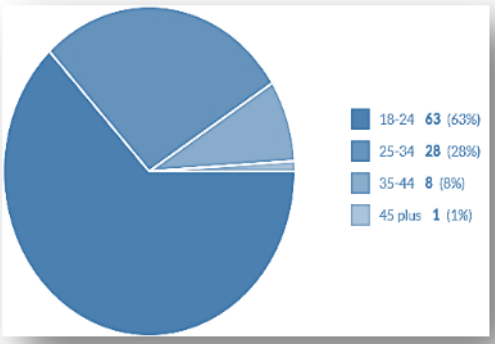
Table 4.1: Showing participants and age groups

	Total number of participants: **100**
Number of Age groups: **Four**	**18 – 24**
	25 – 34
	35 – 44
	45 plus

The demographics discovered in the questionnaire included 51% male and 49% female participants. The participants' age group and response percentage were found as 63% (18-24), 28% (25-34) and 8% (35-44), respectively as shown below in the pie chart figures 4.1 and 4.2.

Figure 4.1: Pie chart showing participants ratio Figure 4.2: Pie chart showing participants age groups





Proportionately, the demographics represent both male and female participants, which helped to operationalise this study.

5.0 Results and Discussions

It was discovered that 98% of the generation Y uses digital payments, but only 39% understand the concept of digital payments. This means that the remaining 61% Generation Y users of digital payments misperceive the concept of digital payments.

This section achieves one of the objectives of this study to how does generation Y perceives the concept of digital payments and found that 61% of the generation Y in London does not clearly understand the concept of digital payments.

Additionally, it was found that 69% of the generation Y aged between 18-44 rely entirely on digital payments as compared to the BBC finding analysed in the literature review, which stated that 81% generation Y solely rely on digital payments. However, it was discovered that 88% generation Y aged between 18-34 rely entirely on digital payments out of which 77% use more frequently than others. It was discovered that overall 76% of the generation Y users of digital payments had positive experiences and would continue using digital payments to make purchases. However, 86% of the overall participants said their buying behaviour had been influenced since they have started using digital payment. Proportionately, female users account for 96% as compared to 75% of their male counterparts. These facts determine that female digital payment users could be more prone to digital payments influence. The question arises the possible causes whether that is due to ease of usage or availability of credit that could not be confirmed but it was also found that out of the generation Y 18-34 was the worst influenced, which accounted for 90%.In relation to a spending increase, it was discovered that out of the overall 96% participants believed that consumer spending has increased. However, only 64% of the respondents said their spending had increased – in which female participants accounted for 80% as compared to 25% of their male counterparts. Moreover, the largest overall increased spending groups were aged between 18-34, which accounted for 56% out of the total 64%.It was found that overall, 88% of the generation Y will continue to use digital payments for their purchases – of which males accounted for 92% as compared to their female counterparts 83%. Whereas, out of the overall 98% who said in section I (SQ3) that they regularly use digital payments – 93% were the age groups between 18-34, which represents the largest share of the digital payment's users. Finally, it was discovered that the 65% of all the participants were very concerned for their data and payments security and expected that enhanced security measures should be adopted.

6.0 Conclusion, limitations and future research suggestions

This study aimed to explore whether digital payments have any effects on generation Y's buying behaviour in London. The aim was to understand generation Y's perceived concept of digital payments, usability and adoption and, its effects on their buying behaviour. To achieve the aim, the study formed its objectives to review existing literature and explore the potential effects through a systemic research to achieve the aim and objectives.

The in-depth review of the literature found that consumer debt has increased over £200 billion to the same level as in pre-2008 financial crisis, which indicates another much more large-scale and significant financial crisis (FCA, 2017). The potential causes included the encouragement for adoption of digital payments by the financial institutions and the UK government to make the UK a cashless society.

A study by Accenture (2016) found that the UK digital payment industry will grow to £400 billion by 2020. Whilst VISA Europe stated that by the end of 2016, 74% of the entire UK population now use digital payments to buy products and service. The BBC (2017) claimed that the biggest users of digital payments were the generation Y (18-44), of which 81% solely rely on digital payments. However, Inman and Treavor (2017) warned that excessive use of digital payments could lead the generation Y into indebtedness, which was echoed by the Debt Charity (2017) who reported that 10% of all the calls they received in 2016 were from younger generations, particularly the generation Y.

The literature review led to the formation of this study to "exploring the effects of digital payments on generation Y's buying behaviour in London". A systematic approach was followed to use a defined methodology and conduct a quantitative research by collecting primary data. The data was empirically analysed to explore whether digital payments have any effects on generation Y's buying behaviour in London and would these effects lead to any change in their buying behaviour in the future.

The study incorporated a self-administered structured questionnaire and collected primary data from 100 participants. The data analysis discovered that 98% of the respondents use or have used digital payments when buying products and services – some 77% use/d digital payments more frequently than others. However, only 39% clearly understood the concept of digital payments as compared to 61% whose perception remained unclear. With regards to complete reliance on digital payments as the BBC reported that 81% generation Y solely rely on digital payments. It was found that only 69% of the generation Y (18-44) entirely depended on using the digital payments when buying products and services. Moreover, it was discovered that the age group 18-34 years old were in fact 88% entirely reliant on the use of digital payments. On the other hand, out of the same age group 18-34 years old, female participants were 90% in complete dependence on digital payments as compared to 86% of their male counterparts. In relation to the digital payments effects on generation Y's buying behaviour, it was discovered that overall 76% participants has/d positive experiences when used digital payments. However, it was found that 86% of the participants buying behaviour was influenced since they started using digital payments. The most significant change was found in the age group 18-34 years old, of which 90% said their buying behaviour was changed by the use of digital payments and it has/d increased their spending by 81%.

It was also found that overall generation Y's spending has increased by 64% since they started using digital payments, of which female participants accounted for 80% as compared to 25% male participants. Furthermore, it was discovered that the increased spending had caused 18% of the generation Y to fall into debt. As to the future use of digital payments, it was found that overall, 88% of the generation Y will continue to use digital payments for making their purchases, which includes 92% male participants as compared to 83% of female

participants who took part in this study. However, the study also found that 65% of the generation Y (18-44) participants were very worried for their data and payments security, which could potentially alter their use of digital payments and buying behaviour in the future.

This research faced many challenges such as collecting relevant primary data through qualified questionnaires within a limited time and available resources. It was also discovered that collecting primary data within a limited time in public places was more difficult as compared to universities. This is also due to the democratic process involved to acquire primary data at public places such as shopping malls and public offices. The other challenges included lack of participants awareness of the issues involved and the unclear perceptive concept of digital payments and their effects on generation Y's buying behavior. It was found that many of the participants were unsure whether and to what extent their buying behavior was influenced by using digital payment. However, they were all very clear that their spending has increased to some extent – unknown to what could have caused the spending increase.

Finally, it is evident that digital payments have effects on generation Y's buying behaviour in London. This study has discovered that the primary factor that affects the generation Y's buying behaviour was the overspending, as a result of the use and predominant reliance on digital payments. By discovering this primary overspending factor, this study has achieved its aim and objectives of "exploring the effects of digital payments on generation Y's buying behaviour in London". Furthermore, this study has also laid the foundation for future studies to further investigate the orientations of overspending in the generation Y and the change in their buying behaviour.

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8.0 Appendix :

Research Project Questionnaire

Study Title: "Sightseeing the effects of digital payments on generation Y's buying behaviour in London"

Digital Payments:

Payments that are made using payment cards, online payments and payments through mobile applications.

Generation Y (aged 18 – 44):

The people born in the 1980s and 1990s that are now aged between 18 to 44.

Disclaimers/Special Notes:

A) Participation in this study is voluntary and participants can freely choose whether to take part in this study.

B) All the data is collected anonymously, and participants are not required to give any of their personal information.

C) The collected data will ONLY be used for the sole purpose of this study and retained at the University of West London.

D) The data collection and its use will comply with and adhere to the legislative requirements of the Data Protection Act 1998 and 2018 – The GDPR.

E) Participants can withdraw their consent to complete this questionnaire and to the use of data at ANY time, even after their participation into this study.

In light with the above Disclaimers **–** do you **CONSENT** to take part in this study and complete the questionnaire below?

Yes ☐ No ☐

Please complete the following questionnaire with specific regard to the above enquiry, by placing a TICK in the appropriate box.

Q1: What is your gender (please tick below)?

Male ☐ Female ☐

Q2: What is your age group (please tick one below)?

18-24 ☐ 24-34 ☐ 34-44 ☐ 44 plus ☐

Section I

How does Generation Y perceive the concept of Digital Payments?

Q3: What is your understanding of the Digital Payments (please tick all relevant)?

Payment Cards	Online Payments	Mobile Payments	Contactless	All of them
☐	☐	☐	☐	☐

Q4: How do you differ Digital Payments from Fiat (cash) currency? i.e.

Do you believe Digital Payment transactions are better than cash transactions?

Yes ☐ No ☐

Q5: Do you use Digital Payments when purchasing products & services (If No please go to Q7)?

Yes ☐ No ☐

Q6: How often do you use Digital Payments?

Once a day	Once a week	Once a month	Multiple-times	Occasionally
☐	☐	☐	☐	☐

Q7: What is your preferred method of payment when buying products or services?

Digital payments	Cash	Both DP/Cash	None
☐	☐	☐	☐

Section II

How may Digital Payments have effects on generation Y's Buying Behaviour?

Q8: What is your experience of Digital Payments?

Positive/Good	Negative/Bad	Unaffected/Neutral
☐	☐	☐

Q9: Has your Buying Behaviour changed by the use of Digital Payments?

Yes ☐ No ☐

Q10: If answered yes to **Q9** – To what extent Digital Payments have influenced the change in your Buying Behaviour?

1	2	3	4	5
Strongly influenced	Influenced	Uncertain/NA	Somewhat Influenced	Not Influenced
☐	☐	☐	☐	☐

Q11: The use of Digital Payments may have some effects on your Buying Behavior?

Agree ☐ Disagree ☐ Not Sure ☐

Q12: Consumer spending has significantly increased since the adoption/launch of Digital Payments?

Agree ☐ Disagree ☐

Q13: Has your spending increased since you started using Digital Payments?

Yes ☐ No ☐ Not Sure ☐

Q14: Have you ever fallen into debt due to the use of Digital Payments?

Yes ☐ No ☐ Not Sure ☐

Q15: What were the key affects you experienced due to the use of Digital Payments?

Unauthorised Overdraft ☐ Bank Charges ☐ Payment Delays ☐

Multiple Payments ☐ Overspending ☐ Unauthorised Payments ☐

Stolen Data/Info ☐ Stolen Card/s ☐ Card/s Misused ☐

Section III

Would Digital Payments' effects lead to any changes in Generation Y's Buying Behaviour in the future?

Q16: Will you continue using Digital Payments in the future?

Yes ☐ No ☐ Not Sure ☐

Q17: Will Data Breach and Payment Security affect your use of Digital Payments?

1	2	3	4	5
Very Strongly	Strongly	Uncertain/NA	Somewhat Strongly	Less Strongly
☐	☐	☐	☐	☐

Q18: Will the Trust in Digital Payment Providers affect your use of Digital Payments?

1	2	3	4	5
Very Strongly	Strongly	Uncertain/NA	Somewhat Strongly	Less Strongly
☐	☐	☐	☐	☐

Q19: If you have/had fallen into debt/arrears due to the use of Digital Payments –

Will your behaviour to using Digital Payments change in the future?

Yes ☐ No ☐ Not Sure ☐

Q20: What are the key issues you would like to be addressed relating to the use of Digital Payments?

Payment Speed ☐ Payment Security ☐ Merchant Reliability ☐

Payment Clarity ☐ Payment Limit ☐ Payment Reliability ☐

Data Security ☐ Payment Refund ☐ Enhanced Security ☐

Your participation to complete this questionnaire is highly appreciated and thank you for taking part in this study.

Yours truly,

Researcher