Determinants of benefits at retail payments market: evidence from Russian end-users

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ABSTRACT

This study identifies the determinants of end-users benefits values at the retail payments market. Using the mix of quantitative (2 waves of nation-wide representative surveys of 800 merchants and 1500 individuals conducted in 2014 and 2017) and qualitative inputs (8 focus groups and 32 in-depth interviews) this study finds significant robust evidence in favor of the importance of internal and external user characteristics for the benefits value explanation. Network effects exhibit only partial influence at the benefits value, while the details of acquiring and issuing contracts do not produce differences in benefits values. Results show that the current market conditions efficiently distribute total end-user welfare across different groups of agents, while regulators and industry participants successfully resolved any potential inefficiencies that existed in 2014 using non-tariff methods. Findings imply new factors affecting the individuals' and merchants' behaviors at the retail payments market and suggest the basis for marketing and regulatory strategies reassessment.

Keywords: Retail payments; payment cards; customers' behavior; financial services; benefits.