

Chapter 25

Preliminary Study on the Cashless Payment as an Experience-Based Marketing Vehicle in Tourism Destination

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Abstract Tourism has undergone fundamental changes due to the vast developments in Information and Communication Technology (ICT) over the past decade. One of the most important aspects of technological development has been in the area of payment system. As we are heading toward a more digital society, governments are encouraging the adoption of cashless system to be implemented in every sector, including tourism. Cashless payment systems are promoted for their efficiency and inclusiveness. The systems are especially important for island destination where access to financial services is often limited. The development of ICT in the form of a cashless payment system can strengthen a destination's connectivity and creating a more seamless tourist experiences. A memorable tourism experience has been argued to lead to destination loyalty. Thus a cashless payment system has been considered to be the future method of payment for tourism destinations. Tourism has been a pioneer in cashless payment systems predominantly in the gaming industry. However, the study of cashless payments in other areas of tourism has been rarely explored. This study serves as a preliminary study to explore consumer behavior regarding cashless payment systems in island destinations. It argues that the cashless payment system can enhance the vacation experience, which can serve as a differential marketing value for a destination. Employing mini focus group discussions, it investigates tourist behavior in cash and noncash payments. The findings provide interesting insights on developing criteria for cashless payment systems and communication tools for cashless systems in tourism, as well as building a foundation for future research on the possible alternatives to cashless payment devices.

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Introduction

Information Communication Technologies (ICTs) have been transforming tourism industry in a global scale since 1980s (Buhalis and Law 2008). The technological revolution experienced due to the arrival of Internet in the late 1980s has changed market condition dramatically for tourism organizations. Internet is probably the strongest driving force for the changes within the tourism industry (Werthner and Klein 1999). ICT is increasingly playing a critical role for competitiveness of tourism organizations and destinations as well as for the entire industry (UNWTO 2011).

In tourism industry development, ICTs become the central tools to connect and enable tourist experiences (Tussadiyah and Fesenmaier 2009). It is also suggested to promote increased social engagement and involve consumers to co-create experiences (McCabe et al. 2012; Sfantila and Björk 2013; Sigala 2012). Customers will be able to use technology to customize the products and personalize their experience thus creating a memorable experience of the destinations.

Although several studies have portrayed ICTs as central tool to connect and enable tourist experiences, there is lack of studies that discuss on how a payment system can contribute to the creation of experience. In addition, current literature focuses on technology availability with less perspective on consumers. Thus, there is a crucial need to explore how the system of payment in destination may affect tourist experiences in destinations.

Exploring Cashless Payment System in Tourism

To investigate the area of experience and system of payment, this paper is interested to explore how cashless payment system can be implemented to enhance tourism experiences and thus can become a competitive advantage for a destination. Two main drives for the investigation on cashless payment system are first the encouragement from local government for a cashless society and second the importance of research experience in academic world.

Tourism has been the pioneer in the development of cashless payment system with its implementation in the gaming industry. Since then, the cashless payment system was also adopted for other form of leisure destination such as exclusive resort and amusement park. Recently, cashless payment system is also applied to all-inclusive island destination in the Fiji islands to cultural villages such as Maanal

village in Kenya. It seemed that in the future the implementation of cashless system would be adopted in more and more tourism destinations as governments are encouraging a cashless society. In Indonesia the movement of using less cash is announced by the Central Bank in 2014. The implementation is not limited to cities but also to the villages and remote areas. Nevertheless, the cashless payment implementation studies are still limited and not focused to specific areas such as tourism.

Governments are driven to develop cashless society based on the benefits provided by cashless payment system compared to traditional cash payment system. The cashless payment system has been suggested to increase efficiency and inclusiveness. Since the cashless payment system is not printing money, it promotes efficiency for being a faster, cheaper, and safer method of payment. Inclusiveness means that cashless payment system could be adopted even for the least bankable individual and remote areas where financial services are limited. Furthermore, cashless payment system will enable to strengthen tourism network and inter-operability thus delivering seamless experience for tourists.

The value of experience is central to tourism activity as it is imperative in creating destination loyalty and becoming a destination competitive advantage. Customer experience has gained wide support from the academic world with the topic being one of research priorities area of the Marketing Science Institute in period 2014–2016. In line with the discussion, the future ICT development is predicted to focus on consumer-centric technologies that will support organizations to interact with their customers dynamically (Buhalis and Law 2008). Thus, development and implementation of ICT needs to be thoroughly investigated in customer experience-based perspective to ensure that the technology is relevant to its user.

Objectives

This study is a preliminary study to outline relation of cashless payment system in creating tourism experience. To investigate the implementation possibilities of cashless payment system technology, destinations need to explore the role of payment system as a part of tourism experience. Thus, this study will investigate how consumers' responses to the cash and cashless payment system in creating their tourism experience to identify the challenges and opportunities of implementation.

The preliminary study is exploratory thus more loosely defined with a limited focus on the use of cashless payment system in leisure and tourism. The study results are expected to give insights to the nature of using cash and noncash payment in tourism setting, to identify criteria of cashless payment system and the preferred form for cashless payment device.

Theoretical Background

The theoretical background takes root from experience studies in marketing and tourism areas. The literature review will also discuss briefly the past studies regarding ICT in general and cashless implementation in the tourism context.

Experience has always been a central component of leisure and tourism studies. Services such as restaurants and tourists have a hedonic, aesthetic, or emotional content, which professional or financial services generally lack in providing a context for examination of interesting and novel consumer behavior (Johns 1999). However, it is only recently that tourism and leisure academics have begun to focus specifically on more experiential aspects of travel.

The definition of experience can be referred to Schmitt (1999) who describes experiences as the result of encountering, undergoing, or living through situations. They stimulate the senses, the heart, and the mind. Experiences also connect company and its brand to the customer's lifestyle, and place individual customer actions and purchasing occasions in a broader social context. Experiences provide sensory, emotional, cognitive, behavioral, and relational values that replace functional values. Johns (1999) suggests that it would be of value to categorize service experiences on the basis of their emotional/hedonic content and its significance to the customer.

The typologies of experience can be divided into several parts. Pine and Gilmore (1999) divide leisure experiences into four "realms"; namely education, entertainment, escapist, and aesthetics. In line with the suggestion, the empirical research of Dube et al. (2003) finds that consumers classify pleasurable experiences into four possible types. First is sensory pleasure that is pleasant sensations induced during the experience. Second, social pleasure derived from one's interactions with others. Third is emotional pleasure borne of feelings, ideas, or mental images and lastly, intellectual pleasure from appreciating the complexities and subtleties of things around the consumer.

As the studies in tourism experiences continue to grow, there is interest in studies on technology as service experience. For businesses it has become a central endeavor to exploit the potential of technology and use it for the creation of meaningful tourist experiences (McCabe et al. 2012). In response to the practice area, a large body of work has drawn attention to the impact, role, and value of ICTs in the tourist experience (Kim and Tussyadiah 2013; Neuhofer et al. 2013). Recent work has underlined the value of smart phone applications to gather information, enrich and construct experiences (Wang et al. 2012) and the use of social networks to support and share on-trip experiences (Kim and Tussyadiah 2013).

Neuhofer et al. (2013) propose a typology to present the various parameters to enhance the experience (needs, tools, processes and results) and the degree with which ICTs can enhance the experience (depending on the intensity of the co-creation and the use of technology). While the study by Dan et al. (2014) confirms that the impact of technology on travel evolves as the traveler gains experience using new technologies and the affordances of this technology.

Methodology

To identify the behavior of tourists regarding the payment system during their vacation experience, an exploratory qualitative inquiry was employed by means of focus group discussion. The discussion was guided by a set of predefined questions; nevertheless still leave enough room for further probe questions within related topic. A series of questions were asked, as outlined in Table 25.1. To guide the question, the study used Carù and Cova's (2003) consumption experience stages, which perfectly captured moments of before, during, and after vacation. The questions are arranged according to experience phases (before, during, and after the vacation). The scope of questions includes the budgeting, management, and spending behavior. In addition, the study also explores the possibility of introducing cashless payment system for island tourism and preferred form of cashless payment system.

The participants were selected on two criteria, (a) a smart phone owner and (b) have experience with using noncash method in various setting (e.g., food court, transportation, game center, and event). The criteria are based on Pihlström (2008), which stated that only technology users are able to report experiences related to technology usage. Participants were six students of a university in Jakarta with equal number of female versus male. The age of the participants ranges from 18–22 years old. The session was tape-recorded and transcribed (in Bahasa Indonesia). The length of the session is about 1.5 h.

Table 25.1 FGD questions

Phases of experience	Phases of experience
Before departure (pre-consumption experience stage)	What information you search to determine the vacation budget? How do you usually fund your vacation? How do you determine your vacation budget?
During vacation (consumption of experience stage)	What are the items to carry while exploring the destination? (List and rank) How is the money management during the trip? How do you pay for things in the destination? (Cash vs. card) What do you like/dislike about using cash/card method?
After vacation (remembered consumption experience)	What makes you want to re-visit a destination? What makes a memorable vacation experience? What happened to the money leftover after vacation?
Additional questions	Have you had experiences using noncash payment system? How do you feel/think about noncash payment system to be implemented in island destination? Exploring preferences for non-cash payment system related to vacation experience (device forms)

Result

The main objective of the study is to learn about payment system as part of tourism experience. The findings of FGD are presented into three general themes. First is the value of cashless payment versus cash payment. Second is the challenge of current cashless payment implementation and lastly, the preferred form and feature of cashless payment.

The Values of Cashless Payment

The discussion extracted three values of cashless payment compared to cash payment system, namely, safety, different, and convenient.

- Safety

The findings on the use of cash revealed that carrying cash still results in the feeling of unsafe. One participant admitted that he carries all the money everywhere he goes for security reason and he felt unsafe to leave it behind. The feeling of unsafe also triggered the behavior of checking his pocket often to check whether the wallet is still there. Another participant also expresses the behavior of dividing the money into different places for precautionary reasons. In essence, carrying cash could create feelings of unsecure and anxiety.

[Randi, Male, 20 yo] I divide (the cash), for example if I have seven hundred thousand (rupiah), two hundred (I keep) in the wallet, two hundred in the bag, the rest I put in my room. In case the wallet is missing, (I still) have automatic teller machine (ATM) (or debit card), and (some money) in the bag.

- Different

This particular value is related with the question of using cashless payment system in tourism destination. Although all participants admitted that they have used cashless payment system in various forms, no participants have ever used it in a destination. Thus, the idea to use cashless payment system intrigues their curiosity. Thus, the discussion findings suggested that the cashless payment creates the sense of new experience. It also made the destination "different" from other destination in the eye of tourists.

- Convenient

The reason for participants that favor cashless payment over cash is convenience. He stated that a debit card is simpler and he is lazy to go back and forth to the ATM to get cash for payment. On the contrary, handling coins and small changes is considered a hassle.

[Rizki, Male, 20 yo] On coins and cash — It is a hassle, that's why I prefer (to use) card. I lost small money and coins easily, and otherwise it is somehow spent

Challenges and Criteria of Implementation

All of the FGD participants admitted that they have experience using noncash payment system in various settings, for example using coupons in music festival, prepaid card in food court, and game/amusement park. Based on the experience, it is found that there are challenges with the current noncash payment method used that providers need to address for improvement of future system. Below are the important findings emerged from the discussions:

- The study found that the process of transferring and topping up the money into the cards is stressful for the customers. One of participant felt the process of using the card is a bit of a hassle since she is required to put some cash into the food court's card first and irritated with the need to top up the money in the card every time the money runs out.

[Amanda, Female, 18 yo] ... it is a hassle, especially if there is only one cashier, we need to queue to deposit (some money into the card), and if it is not enough (the money), we need to pay again (top up the card) and queue again.

The future cashless payment system implementation should make the process acquiring the service to be available easily and swiftly. Adding cashiers and reducing queue in any way possible is important in the process of using a cashless payment. Fast is the key criteria for the cashless system implementation.

- The study also found that participants felt lack of fairness in the current cashless system. One participant expressed objection in using cashless (card) system because there is a minimum balance to be retained in the card. The participant often use the card and left a small nominal balance that they do not want to spend anymore or somehow cannot spend since the cheapest item is more than the nominal, but cannot cash in due to the rule of minimum balance. In this situation, the participant felt the company is taking advantage over the small change and he feels cheated.

[Rafi, Male, 22] I refused (of using the card as a noncash payment system), if there is some money left and we don't want to spend it no more, we can only keep the card (it will be a waste) and there is small nominal that is becoming the company's advantage. I felt at loss as a customers, because of the money (that is still) inside the card.

There should be a mechanism to extract money left in the card, no matter how small, to avoid the feeling of being cheated or unfair for the user. Thus, fairness is one of the criteria to consider when designing the system.

- Other participants felt that using cashless payment system would bring difficulties to travel experience as not all service provider on the island might have (and provide) debit card/cashless payment facilities. One participant further added that she agreed to try the cashless payment system on her vacation as long as it is integrated with all the facilities (all-inclusive) in the whole island. The commitment and full participation from all destination members is important for

the participation of using cashless payment system. Thus, integration is another criterion for the cashless implementation.

- One particular reason that is often stated by participants who are reluctant to use the cashless payment system is they found it to be a hassle.

It is a hassle ... if it is not enough (the money), we need to pay again (top up the card) and queue again.

Moreover, another participant felt that the reason she has lack of interest of using the card system because of inflexibility due to extra charges. For example when the card is missing, she has to buy a new one with extra charge. The charge is considered a burden for the participant. Thus, it is crucial that the future implementation of cashless payment system has flexibility and simplicity to use.

Preferred Form and Features

From the statements given in the discussion, it can be inferred that there are several features that can be considered in developing the future cashless system. First is on the physical form of the cashless device and second on the usability of the payment system.

In previous findings, participants preferred card and bracelet form as the vehicle of cashless payment system. However, should other forms of devices are introduced, the findings suggested several physical features.

1. It is suggested that the cashless payment device is wallet-sized, as wallet is the number one item to be carried when traveling within the destination. That said, since the device is supposedly used to replace cash being carried in the wallet, it can take various forms, as long as it fits in a wallet.
2. It is suggested to personalize the device with pictures of the island, since photos are the triggers for the tourists to return to destination. Photographs and pictures also channels self-expression.
3. In addition, the physical form of the device should be easily in sight. Since one of tourists behavior is to check the physics/presence of the device.

On the usage of the device, there are two additional suggestions:

4. It is suggested that the destination also provide application in mobile-based platform. It can give information on attraction, routes, and destination-related information. Moreover, it can also be used for budget planner with the ability to be accessed pre-departure and checked during the vacation.
5. One of the participant suggested that the cashless system device have extended usage and benefit to use after the vacation is over.

Table 25.2 Summary of FGD responses

	Responses
Not interested	<ul style="list-style-type: none"> • One participant is not interested. He felt that it would bring difficulties to his travel as he insisted that not all tourist and service provider in the island might have (and provide) debit card facilities
Interested	<ul style="list-style-type: none"> • Two participants express their interest instantly on the idea of a cashless payment on island destination <ul style="list-style-type: none"> • One participant felt that it would be easier for him just to swipe, since he categorizes himself as a practical guy • Another said that she is interested and she will put more money in the card deposit from her regular vacation budget
Interested, but with condition	<ul style="list-style-type: none"> • Other participants seemed to have interest with the idea however it comes with condition that addresses their concern on the cashless payment system. The conditions are: <ul style="list-style-type: none"> • As long as it is integrated with all the facilities in the whole island. An all-inclusive destination • As long as he can cash out his money back upon finishing his vacation in the island

The last finding from the discussion is on the preferred form of cashless payment. The participants were asked what if a cashless payment system is implemented in a tourism island destination. Although most of them gave positive response, there are several conditions to be met in order to push for the idea's acceptability. Table 25.2 summarizes the responses.

The discussion also asked about the most interesting form of noncash payment for island vacation. The options given are between coupons, card, and RFID bracelet. The study found that most of participants preferred RFID bracelet. The reasons are because a bracelet is different from the others (not a mainstream option); easily in sight thus could be detected more quickly when it is lost; wearable so it will be less likely to get lost or stolen; and avoid frequent use of the wallet (as in the use of card system). However, there is one participant that prefers card, because he found it more advantageous for example perhaps he can use it not only on the island but extended possible use after the holiday.

Overall, most of the participants express curiosity because noncash vacation is a very new concept to them. Some expressed interest on trying out the cashless system. The participants suggested that using cashless payment system will affect their vacation experience. In general, five out of six participants said "Yes" to whether the cashless system will make it easier for them to enjoy the vacation. However, it still depends on the initial perspective of the person, whether they perceive it as a hassle-free system (this means affecting the vacation in a good way) or feel that it will make payment more difficult. Surprisingly, although they express curiosity on the cashless payment, they also indicated that cashless payment system is the main reason for them to visit or not to visit an island destination.

[Safira, Female, 19] It is more important to enjoy the vacation itself (rather than the payment system the destination use).

Although the participants have several concerns about the card system and it is a new system for them, they realize that nowadays businesses going towards the cashless method thus they have no choice but to follow through with the cashless plan.

[Randi, Male, 20] Maybe because it is still new, (I am) not yet comfortable, but now even when you park in the station, you cannot do it unless you use XXX (debit card brand).

The above statement confirmed that cashless system is considerably a new concept thus have the tendency to make participants uncomfortable at first. However, the implementation of the system will eventually push the society to adapt.

Conclusion

The preliminary study aims to learn about payment system as part of the tourism experience and how consumers respond to the cashless payment system in the tourism context. Although it is too early to conclude, the findings can give indication for the next study.

The study suggests that most of participants have positive response toward the concept of cashless payment system; however, there are still challenges with the implementation of the system. In order to develop future cashless payment system in tourism destination context, the study learns that certain criteria have to be met, namely, fast, fair, integrated, simple, and flexible.

The study also found three values of cashless payment to pose against the limitation of using cash payment. These values are safe, different, and convenient. The three values can be used as marketing values to be communicated to promote the cashless payment system. For example, the cashless payment can be communicated as a safer alternative in comparison to the cash payment system. While convenience translates to hassle free and different can be defined as anti-mainstream and self-expression.

The study also contributes in identifying preferred form and features related to physical and usage of the cashless payment system. The physical aspect suggestions are to have wallet-sized device, personalization, and easily in sight. The features suggestion includes the link with mobile-based application to share relevant information and perform budgeting function for the trip.

Finally, the study has not found clear evidence linking cashless payment implementation to experience of tourists. There is difficulty in examining this link since all participants have never been exposed fully to the situation before the discussion and the idea is very new to them. Thus, more studies with different methods could be conducted to tackle the issue.

Limitation

As the first exploratory study on cashless payment system in tourism context, this preliminary study has many limitations. First limitation lies with the number of focus group conducted and the single-perspective of tourists, which limits the generalization of the findings. Further research should conduct more focus group to increase the quality of the findings. The next study can recruit participants from different demographic and travel styles. Second, the study can proceed by investigating provider perspective on cashless tourism system to give all-round perspective on the subject and criteria. Although limitation exists, this study has given a pathway and base for future cashless payment implementation in tourism industry and contribution for experience studies in the same context.

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