

05 → From reluctance to acceptance: Insights on the adoption of digital payments by small businesses in Mexico ↗



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Mexican retail markets

It is a world dominated by cash.



A cash-dominated world
89% of traditional retailers in Mexico were cash-only in 2019 (2019 Census)

RESEARCH QUESTIONS

- What frictions stop traditional retailers from accepting digital payments in Mexico and other emerging markets?
- What interventions can succeed at driving their adoption and usage?

INITIAL FINDINGS: MANY FRICTIONS

Crucial frictions are:

- **Supply-side:** Platform onboarding is full of complexities and pitfalls for retailer - **22 unique frictions** were identified, such as:
 - Cannot download app
 - Doesn't know how to set up
 - Unstable/bad connectivity
 - Doesn't have a bank account
- **Demand-side:** Disinterest or negative attitudes from consumers

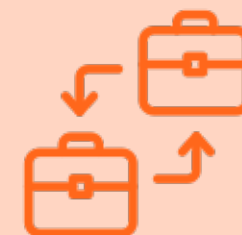
WHAT DIDN'T WORK

Providing free devices with convenient access and highlighting benefits is insufficient



94 of 104 retailers of a randomized sample of program participants operated as cash-only 6 months later.

WHAT WORKS: SOLUTIONS TO OVERCOME FRICTIONS



B2B Channel (Payment Aggregators → Retailers): Providing enhanced onboarding support to retailers has a large, positive effect.

B2B support increased adoption by 21.4 percentage points relative to control group

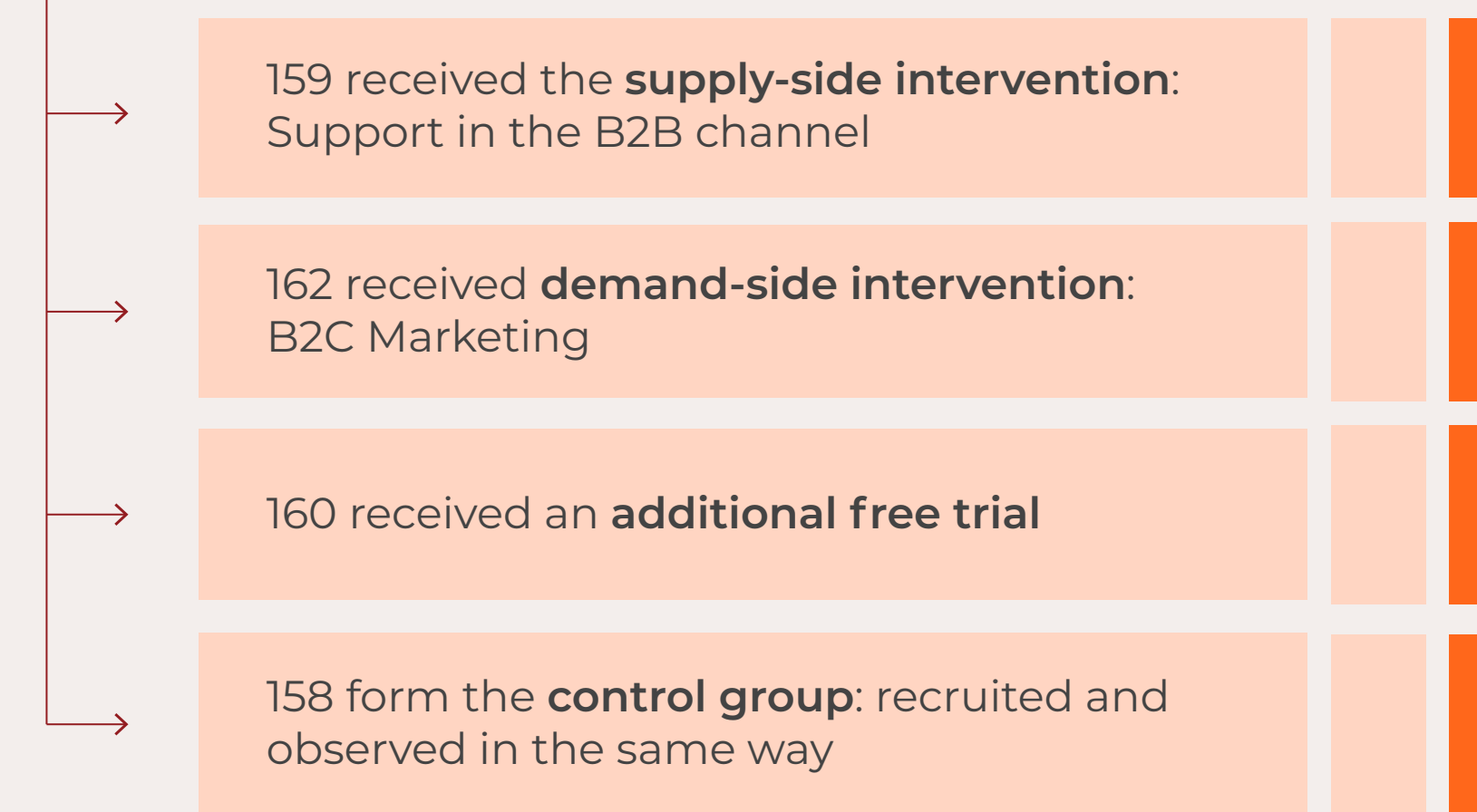


B2C Channel (Retailers → End-Customers): Marketing digital payments to the end-customer has a large, positive effect.

Focused B2C marketing increased adoption by 13.4 percentage points relative to B2B group

EXPERIMENT SAMPLE

639 targeted businesses



1st year: 16,000 digital transactions totalling MXN\$3.8 million (USD\$ 220,000)

AUDITS

Digital payment was used at least once in the last month

| | CONTROL | B2B | B2C |
|---------------|---------|-----|-----|
| 1 year later | 32% | 54% | 67% |
| 2 years later | 34% | 59% | 66% |

 **The effects were sticky!**