

Digital Payment Option Adoption and Customer Experience Management among SMES in the Retail Sector

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The global retail sector is characterized by technological innovations and shifting consumer behaviours. The Nigerian retail landscape has been undergoing significant changes marked by the adoption of digital payment options such as automated teller machines (ATMs), point of sale (POS) terminals among others following the global trend but also revealing unique domestic characteristics. While these advancements are transforming the traditional retail paradigms, there remains an empirical void in understanding their direct implications on the customer experience in the Nigerian context. This study aimed to examine the effect of digital payment options adoption on customer experience in the retail sector of Ibadan, Oyo state. The study adopted a descriptive research survey approach, gathering data via questionnaires from a randomised sample (200 respondents) of retailers in Ibadan North-West Local Government, Oyo State. Questionnaires were distributed to retailers that utilise digital payments for their transactions. Results from the study shows the prevalent preference for USSD transactions, chosen by 30% of respondents. This is closely followed by POS transactions at 26.7%, bank app transactions at 22.7%, and ATM transactions accounting for 20.7%. This trajectory denotes a consumer inclination towards instantaneous, non-reliant-on-internet transaction methods like USSD. Quantitative analysis shows a substantial relationship between digital payment integration and enhanced customer experience by 20% ($t=20.125$, and $R^2=0.732$, $F_{(6,117)}=404.999$). Also, a strong positive relationship was observed between digital solutions and customer experience by 11% ($t=11.535$, and $R^2=0.675$). The study concluded that digital payment options and digital solutions is necessary in elevating the customer experience among SMEs in the retail sector of Nigeria. The study recommended that retailers, especially in emerging markets like Nigeria, invest in and promote diverse digital payment options while ensuring the robustness and user-friendliness of accompanying digital solutions.

Keywords: *Customer Experience, Digital Payment Options Adoption, Digital Solutions and Retail Sector*

1.0 Introduction

The Nigerian retail sector plays a vital role in the country's economy, serving as the second-largest contributor to its gross domestic product (GDP) (Mwamba & Qutieshat, 2021). It has been a significant growth driver and a key indicator in Nigeria's economic trajectory. The sector offers immense potential, fuelled by the country's large consumer market and a growing middle class (Donmaz, Sayil, Havayolları, & Bölümü, 2017). However, despite the sector's potential, it faces challenges that hinder its growth and development, including inflation, exchange rate volatility, and vulnerability to external price fluctuations (Oxford Business Group, 2023). Infrastructure limitations, logistical constraints, and regulatory complexities also pose hurdles to the sector's expansion (Oxford Business Group, 2023). One positive aspect is the continued

expansion of retail real estate offerings, indicating growing investment and interest in the sector (Wasihun, Schaeffer & Gebremedhin, 2019). Moreover, the Covid-19 pandemic, while initially negatively impacting traditional retail activities, has also acted as a catalyst for the growth of e-commerce (Agbeyegbe, 2022). The pandemic has accelerated the adoption of online shopping and digital retail platforms, providing new opportunities for retailers to reach consumers (Agbeyegbe, 2022).

The fast-moving consumer goods (FMCG) segment has driven the sector's recovery following the pandemic (Adejare, Olaore, Udofia, & Adenigba, 2022). Consumer preferences have shifted, with increased demand for essential goods, household items, and convenience-oriented products (Patil, Dhore, Bhavathrathan, Pawar, Sahu & Mulani, 2022). This shift in consumer behaviour, prompted by the pandemic, has continued beyond the crisis and is expected to shape the future of the Nigerian retail landscape.

The importance of customer experience (CX) in the retail industry cannot be overstated. In today's highly competitive market, where consumers have numerous options and alternative sources for their shopping needs, providing a positive and memorable customer experience is essential for the success and sustainability of retail businesses (Bascur & Rusu, 2020). CX is a crucial differentiator for retailers in a crowded market (Yan, Hua, Cheng, Wang, & Dong, 2021). It allows businesses to stand out from their competitors by providing unique and personalized experiences beyond just product offerings (Yan et al., 2021). A remarkable customer experience sets a retailer apart and creates a competitive advantage that attracts and retains customers.

A positive customer experience increases customer satisfaction (Ramrathan & Naidoo, 2023). When customers have a satisfying and enjoyable experience, they are more likely to become loyal to the brand and repeat their purchases. Loyal customers generate repeat business and act as advocates, referring others to the retailer and positively impacting the brand's reputation (Ramrathan & Naidoo, 2023).

In addition, satisfied customers are more inclined to make additional purchases and spend more money (Riyanto, 2022). A seamless and delightful customer experience can increase sales, as customers feel valued and are more likely to explore additional offerings and make impulse purchases. Retailers can drive revenue growth and maximize profitability by delivering excellent customer experiences (Riyanto, 2022).

Digital technology holds transformative potential for enhancing customer experience in the Nigerian retail sector. Through technologies such as e-commerce platforms, mobile

applications, and social media marketing, retailers can provide seamless, personalized, and interactive shopping experiences (Dwivedi, Ismagilova, Hughes, Carlson, Filieri, Jacobson & Wang, 2021). Digital payment innovations and digital solutions, such as ATMs, POS, USSD, bank apps, mobile wallets, websites, merchant apps and online transactions, can streamline the purchasing process, enhance convenience, and strengthen customer trust (Dwivedi et al., 2021). Moreover, technologies like artificial intelligence and data analytics allow retailers to gain valuable insights into consumer behaviour, enabling them to tailor their offerings and communication strategies to meet individual customer preferences and needs (Haleem, Javaid, Qadri, Singh, & Suman, 2022). In essence, digital technology can empower Nigerian retailers to create more engaging, efficient, and customer-centric experiences, ultimately fostering customer satisfaction and loyalty.

1.1 Purpose of the Study

The study purposed to investigate the effect of digital payment option adoption on customer experience among the small and medium sized enterprises in the retail sector. The study identified the different digital payment options used by customers, determined the adoption level of digital payment options among the SMEs. It also examined the effect of digital solutions on the experience of retail store customers.

1.2 Objectives of the Study

The objectives of the study are:

- i. To determine the effect of digital payment option adoption on customer experience among SMEs in the retail sector.
- ii. To determine the adoption level of digital payment options among the SMEs.
- iii. To examine the effect of digital solutions on the experience of retail store customers.

2.0 Literature Review

2.1 Digital Technology

Digital technologies represent a transformative force in every facet of society, including education, healthcare, business, and personal communication (McCarthy, Maor, McConney, & Cavanaugh, 2023). They encompass a broad range of hardware, software, and services that facilitate the creation, storage, processing, transmission, and display of information (McCarthy *et al.*, 2023). Digital technologies are rooted in the concept of digitization, which involves converting analogue information into digital formats. The digital revolution commenced in the

latter half of the 20th century with the invention of computers, gradually extending to the internet, mobile technologies, cloud computing, artificial intelligence, machine learning, and the Internet of Things (IoT) (Vial, 2019).

Applications of digital technologies are abundant and diverse (Vial, 2019). They drive business operations and innovation, facilitate communication and collaboration, enhance access to information, enable remote working and learning, and contribute to the development of smart cities and homes (Vial, 2019). Despite the apparent benefits, the adoption of digital technologies in resource-constrained contexts presents challenges, including high implementation costs, insufficient infrastructure, lack of technical skills, and resistance to change (Van Veldhoven & Vanthienen, 2022). While digital technologies present vast opportunities, they also come with challenges. These include issues related to digital divide, privacy and security, misinformation, and the potential for job displacement due to automation (Van Veldhoven & Vanthienen, 2022).

Digital technology and e-commerce are playing an increasingly prominent role in Nigeria's retail sector. Platforms such as Jumia, Konga, and PayPorte have gained popularity, providing online marketplaces for a range of goods (Sasu, 2022). The onset of the COVID-19 pandemic further accelerated this shift towards e-commerce, as many Nigerians turned to these platforms for essential supplies during lockdowns and movement restrictions (Sasu, 2022).

Furthermore, digital solutions have also started to impact the supply chain of the informal retail sector. Business-to-business e-commerce platforms like Alerzo and Omnibiz, established in 2019, aim to digitize supply chains for informal retailers (Kene-Okafor, 2021). They provide a digital marketplace for wholesalers and manufacturers and deliver products directly to the retailers' premises, which helps to keep the businesses open and reduce the need for traders to close their stores to replenish stock (Kene-Okafor, 2021).

According to the Oxford Group (2023), the role of financial technology (fintech) in Nigeria's retail sector has also been growing. Numerous start-ups have been launched in the fintech sector, offering innovative solutions to enhance both consumer and business transactions. These services range from electronic payment solutions and mobile money services to digital inventory and revenue tracking features. The rising trend of digital technology offers significant growth opportunities in the Nigerian retail sector and has the potential to transform the retail landscape in the country (Oxford Business Group, 2023). The rise of e-commerce in Nigeria has prompted retailers to seek innovative ways to leverage this platform for improved convenience and faster delivery times. The expanding penetration of smartphones and the

growing need for personalized service have made it essential for retailers to use big data and business intelligence. These tools help them understand their customers' specific profiles and needs, enabling them to connect with customers at their points of need.

2.1.1 Digital Payment Options

In the age of digitalization, offering digital payment options in the retail sector is no longer an optional strategy but a business imperative (Omarini, 2022). From physical cash and credit/debit cards to e-wallets and loyalty payments, retailers today have an array of payment methods to offer to their customers. Incorporating these various payment options can significantly enhance the shopping experience, drive customer loyalty, and result in higher conversion rates. Offering multiple payment options provides customers with the flexibility to choose their preferred method of payment, thereby making their shopping experience more convenient (Pascucci, Savelli & Gistri, 2023). For example, a consumer might prefer to pay using a debit card while shopping online but may choose to use a mobile e-wallet when in a physical store. By accommodating these preferences, retailers can make the checkout process smoother and more efficient, reducing the likelihood of cart abandonment and fostering customer loyalty.

Offering a variety of payment methods can lead to higher conversion rates at the checkout stage (Robnett, Wilder, Holman, Sastri, Hammoud & Askerov, 2023). Many customers abandon their carts if their preferred payment option is not available. By providing a range of payment options, retailers can capture a wider customer base and increase the likelihood of purchase completion (Robnett *et al.*, 2023). Many retailers now offer payment-based loyalty programs, such as points, cashback, vouchers, and gift cards (O'Brien & Jones, 2023). These can be used in combination with regular payment methods to provide a personalized and rewarding shopping experience. Retailers can benefit from the increased sales and customer retention that these loyalty programs drive. With increasing competitiveness in the retail sector, offering multiple payment options can give businesses a competitive edge. Retailers can attract more customers by accommodating the most common payment methods (Greenacre & Akbar, 2019). Payment gateways often promote their merchants or offer special discounts to customers who use their payment method, bringing direct benefits to both businesses and consumers.

The flexibility of combining different payment methods in a single transaction further enhances the convenience for customers (Greenacre & Akbar, 2019). For instance, a customer can pay part of their bill using a credit card and the remaining amount using points from their loyalty

account. Retailers that offer this flexibility can provide a more tailored shopping experience and improve customer satisfaction (Greenacre & Akbar, 2019).

2.2 Theoretical Framework

The framework for this study is hinged on the technology acceptance model. The theory shed slight on how consumers embrace and adopt a technology for their use.

2.2.1 Technology Acceptance Model (TAM)

Technology Acceptance Model (TAM) is an information systems theory that models how users come to accept and use a technology (Heikoop, Nuñez-Velasco, Boersma, Bjørnskau & Hagenzieker, 2020). The model suggests that when users are presented with a new technology, a number of factors influence their decision about how and when they will use it (Heikoop *et al.*, 2020). The model was first introduced by Fred Davis in his 1989. It was developed as an extension to the Theory of Reasoned Action (TRA), a psychological theory that explains behaviour through beliefs, attitudes, and intentions (Heikoop *et al.*, 2020).

In the TAM, two particular beliefs; perceived usefulness and perceived ease of use are assumed to be fundamental determinants of system use (Venkatesh, 2000). Perceived Usefulness (PU) refers to the degree to which a person believes that using a particular system would enhance his or her job performance (Venkatesh, 2000). In other words, it is the extent to which a person believes the technology will help them perform better. Perceived Ease of Use (PEOU) on the other hand, refers to the degree to which a person believes that using a particular system would be free from effort (Henderson & Divett, 2003).

These beliefs influence a user's attitude towards using a system, his or her intention to use the system, and the actual usage of the system (Henderson & Divett, 2003). A user's behavioural intention to use a system is jointly determined by the person's attitude toward using the system and its perceived usefulness (Henderson & Divett, 2003). That is, even if a user forms a positive attitude toward using a system, the user may not intend to use the system if he or she perceives it to be of little use. Similarly, if the system is perceived as useful, the user may overcome a negative attitude toward the system and intend to use it. According to TAM, a user's actual system use is determined by behavioural intention (Kelly & Palaniappan, 2023).

TAM has been widely applied and has proven to be powerful in predicting user acceptance of various technologies and is particularly useful for managers needing to assess the likelihood of success for new technology introductions and help them build interventions to assist users in

accepting and using new technology (Moták, Neuville, Chambres, Marmoiton, Monéger, Coutarel & Izaute, 2017).

2.3 Customer Experience

The concept of customer experience (CX) has evolved significantly over the years and is now considered a cornerstone of successful business strategy. CX generally refers to the entirety of interactions a customer has with a company and its products or services throughout the customer journey (Lemon & Verhoef, 2016). It involves more than just a single interaction; it comprises the customer's entire journey, from initial awareness or discovery to purchase and use (Becker & Jaakkola, 2020). This journey can span multiple touchpoints, including websites, social media, in-store interactions, customer service contacts, and more (Becker & Jaakkola, 2020). The goal for businesses is to provide a seamless, positive experience across all these touchpoints.

Molinillo, Aguilar-Illescas, Anaya-Sánchez & Carvajal-Trujillo (2022) provide a multidimensional perspective on CX, suggesting that it encompasses sensory, affective, cognitive, physical, and social-identity experiences. This implies that customer experiences are not merely transactional or economic; they also involve emotional and psychological aspects. Bascur & Rusu (2020) concur, defining CX as multidimensional and involving cognitive, affective, emotional, social, and physical responses. Lemon and Verhoef (2016) further refine this understanding, portraying the customer purchase journey as the comprehensive process a customer goes through, across all stages and touchpoints, making up the CX. Zarantonello, Schmitt, & Brakus (2007) propose that CX covers internal responses (sensations, feelings, cognitions) and behavioural responses prompted by brand-related stimuli. This suggests that customer experiences go beyond the functional attributes of a product or service, extending to emotional and relational dimensions influenced by branding and marketing efforts.

In terms of management, Customer Experience Management (CXM) has emerged as a strategic approach to oversee a customer's entire journey with a company (Holmlund, Van Vaerenbergh, Ciuchita, Ravald, Sarantopoulos, Ordenes & Zaki, 2020). It encapsulates the methods and strategies businesses use to track, oversee, and organize every interaction between a customer and the organization throughout the customer lifecycle (Holmlund *et al.*, 2020). The aim of CXM is to optimize interactions from the customer's perspective to foster customer loyalty.

De Keyser, Lemon, Klaus, & Keiningham (2015) conceptualize customer engagement as a pyramid, with CX at the base, topped by emotional connection and shared identity at the highest

level. This suggests a progression of customer engagement, with experiences forming the basis for deeper emotional connections and identification with the brand. A key aspect of CXM is understanding what customers think about the organization and the ecosystem that surrounds it (Holmlund *et al.*, 2020). This requires capturing and leveraging data not only from company-owned touchpoints but also from partner-owned, customer-owned, and external touchpoints (Lemon & Verhoef, 2016). Figure 1 below shows the conceptual framework of this study.

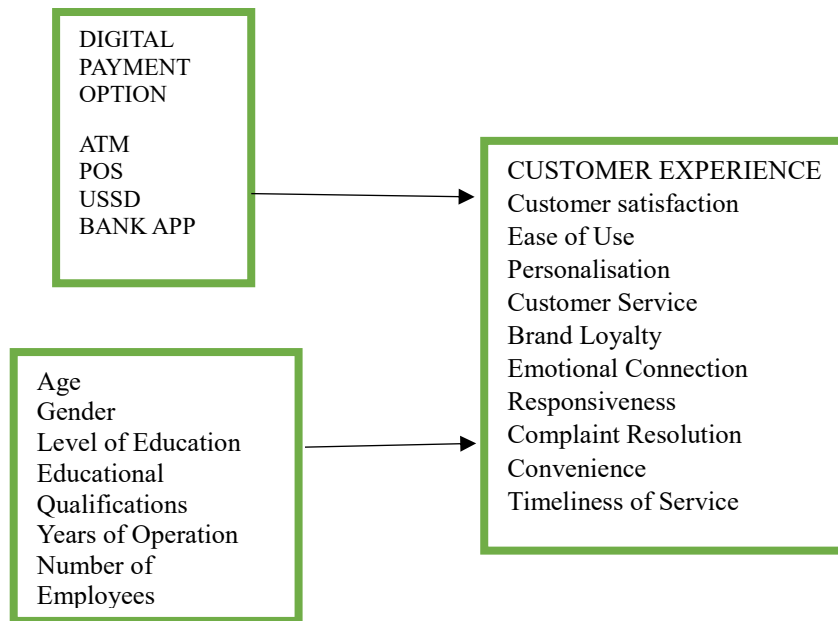


Figure 1: Conceptual Framework
Source: Author's Concept

2.4 Null Hypothesis

H₀₁: Digital payment option adoption has no significant effect on customer experience in the Nigerian retail sector.

H₀₂: Digital solutions have no significant effect on customer experience in the Nigerian retail sector.

3.0 Methodology

The study adopted a descriptive research design. The study population was made up of retailers in Ibadan North-West Local Government Area, Oyo State, Nigeria. This included both small scale and large-scale retailers who employ digital payment options and digital solutions in their business operations. The total number of SMEs in the study area is 2,500 (SMEDAN, 2019). The study used a census survey technique based on retailers who made use of digital technologies as part of their payment options. A sample size of 200 retailers in Ibadan North-West LGA, Ibadan, Oyo State were selected as respondents for the study. The sample size was

gotten using the Leslie Kish formula for sample size determination for a single proportion as shown below.

$$n = Z_{\alpha}^2 p(1-p) / d^2$$

n= minimised desired sample,

Z_{α} = standard normal deviate, usually set as 1.96 at 5% level of significance

P= 0.5

D= degree of accuracy set at 7% (0.07)

$$n = (1.962)^2 \times 0.5 \times (1-0.5) / (0.07)^2$$

n= 196.4

The 196 gotten was rounded up to 200 as the sample size for the study. Simple random sampling method was used to select the 200 participants as this will give each member of the population an equal chance of being selected. This method helped to eliminate any potential selection bias, as the selection of any particular sample point is independent of the selection of any other sample point (Noor et al., 2022). The key advantage of this sampling technique is its inherent ability to produce representative sample.

The research instrument used was a closed ended questionnaire. Data collected were analysed using Statistical Package for the Social Sciences (SPSS) software. Descriptive statistics including frequencies and percentages were used to analyse the demographic data, mean and standard deviation were used to describe the responses of the study participants while correlation analysis was done to examine the effects of digital payment options and digital solutions on customer experience.

4.0 Response Rate

The total number of questionnaires administered was 200 out of each 150 were retrieved successfully, giving a response rate of 75%. Thirty out of the remaining fifty were invalid and the remaining twenty were not returned.

4.1 Demographic of the Study

The survey was conducted among retailers of Ibadan North-West LGA, Ibadan, Oyo State. Seventy-seven (77) out of the respondents were male which slightly outnumbered the female respondents (73), representing 51.3% and 48.7% respectively. This implies that the genders in

the sample are well represented, and the distribution was not gender-biased. The predominant age group was 25-34 years, accounting for 32.7%, followed by the 18-24 age bracket at 26.0%. This reveals that the predominant age of retailers in the study area is 25-34. Majority had Bachelor's degree (30.7%), with OND/GCE/A Level and NECO/WAEC holders coming in closely at 29.3% and 27.3%, respectively. This finding demonstrates that majority of retailers in this area are educated with a bachelor's degree. Thirty two percent (32%) of the retailers had been operating for 0-3 years. Some of these retailers manage small operations, with 27.3% having 0-2 staff. Finally, singles were predominant at 56.7% as compared to their married counterparts at 43.3%.

4.2 Descriptive of Digital Payment Option Adoption and Customer Experience Management

The digital payment option considered in this study include USSD transactions, POS transactions, bank applications and ATM transactions. Some of the customer experience management include brand loyalty, convenient use of digital payment options payment option, complain resolutions, customer service among others.

4.2.1 Identification of Digital Payments Used by Customers

Figure 2 shows that USSD transactions were the most favoured, with 30.0% of the respondents opting for this mode. Following closely, POS transactions were preferred by 26.7% of the participants. Bank applications served as the chosen medium for 22.7%, while ATM transactions, although still significant, were the least prevalent with a usage rate of 20.7%. The results underscore the evolving preference for digital payment platforms, especially the growing inclination towards USSD transactions among the sampled customers.

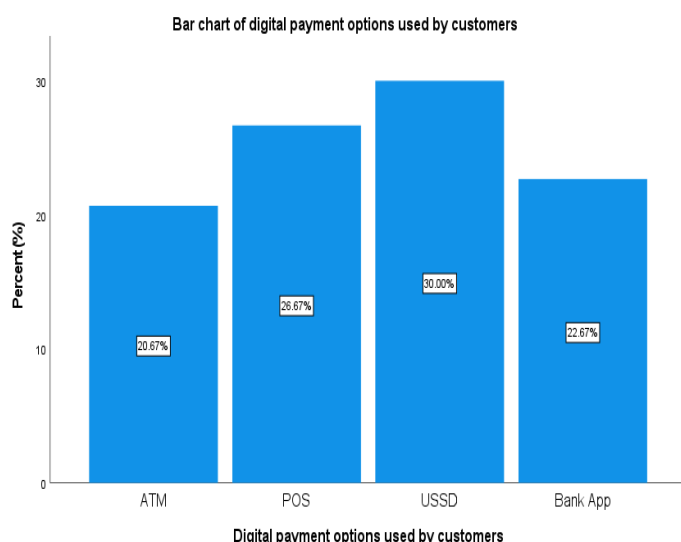


Figure 2: Digital payment options used by customers of retail outlets in the study area
Source: Research Data 2023

Effects of multiple payment options on retail operations

Table 1 shows that offering a variety of payment methods boosts customer satisfaction (mean = 3.03). Also, there was a slight inclination towards the belief that integrating diverse payment channels enhances the efficiency of sales transactions (mean = 3.05). The integration of various payment mechanisms appears to have a favourable impact on expanding the customer base, (mean 3.01). Respondents were somewhat divided about the costs and complexities tied to assimilating these multiple payment avenues (mean= 2.87). These shows that payment options were perceived to offer several advantages, they also come with certain challenges and costs as per the retailers' perspectives.

Table 1: Effects of multiple payment options on retail operations

Digital Payment Options	Mean	S.D
Offering digital payment options contributes to increased customer satisfaction.	3.03	1.421
Integrating digital payment options has improved the efficiency of our sales transactions.	3.05	1.318
Implementing digital payment options has significantly increased our customer base.	3.01	1.277
The cost and effort involved in integrating digital payment options outweigh the benefits.	2.87	1.228
Our store has faced issues (like technical glitches, fraud) as a result of providing digital payment options.	3.05	1.155
We have noticed a positive impact on our sales after offering digital payment options.	2.99	1.245

Source: Research Data 2023

Table 2 provide insights into retailers' perceptions on awareness and adoption of digital solutions in the shopping experience. The awareness and adoption of digital platforms like websites and mobile apps by customers is notable (mean =3.13). This suggests that a significant

portion of customers are incorporating these digital avenues into their shopping routines. The feedback from customers about the digital platforms is generally favourable, as evidenced by a mean value of 3.08. Such positive reception underscores the quality and user-friendliness of these platforms in meeting customer needs.

The study shows that digital tools and platforms have had a positive impact on customer-brand interaction and this has led to increased customer engagement and interaction with brands upon the adoption of these digital solutions. This increased engagement can be attributed to the convenience and accessibility digital solutions offer (mean=3.32) suggesting that customers value the convenience provided by these platforms, whether for browsing products, checking their availability, or placing orders.

Also, personalization in shopping experiences achieved through digital solutions, is increasingly being recognized and appreciated (mean= 3.11), This implies that retailers see digital solutions as instrumental in offering a tailored shopping journey for their customers. and accentuate the fact that customers acknowledge and value the enhancements and ease brought into their shopping experiences through these digital interventions.

Table 2: Retailers' perceptions on awareness and adoption of digital solutions in the shopping experience

Digital Solutions	Mean	S.D
Our customers frequently use our (websites, mobile apps, etc.) as part of their shopping experience.	3.13	1.194
Feedback from customers regarding our (websites, mobile apps, etc.) has generally been positive.	3.08	1.150
We have noticed increased customer engagement and interaction with our brand due to our digital solutions	3.26	1.138
Customers appreciate the convenience offered by our (like browsing products, checking availability, placing orders, etc.)	3.32	1.178
Digital solutions have allowed us to offer a more personalized shopping experience to our customers.	3.11	1.205
We have received positive feedback from customers concerning our website and other digital solutions	3.13	1.197

Source: Research Data 2023

4.3 Regression Analysis of Variables

This study aims to investigate the effect of digital payment option adoption on customer experience among SMEs in the retail sector. Table 3a and 3b shows that there is a significant effect of the digital solutions on customer experience within the study area. The positive co-

efficient implies that the digital solutions adopted by the respondents would enhance the customer experience by 20% ($t = 20.125$).

$$DGs = 4.673 + 20.125Cusexp$$

The coefficient of determination value ($R^2=0.731$), indicates 73% variation in customer experience that could be explained by the joint effect of the explanatory variables (Digital solutions). The Durbin-Watson value, 1.989, suggests some serial autocorrelation among the (explanatory) variables. The goodness of fit of the model is represented by the significance of F ratio in ANOVA table; $F_{(6,117)} = 404.999$. This implies that the data fitted into the regression line. Figure 3 further confirms that the regression line did not deviate from the fitted line.

Table 3a. Regression Analysis of the effect of digital solutions on customer experience

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	3.756	0.804		4.673	0.000
Digital Solutions	4.870	0.242	0.856	20.125	0.001

Dependent Variable: Customer experience

Table 3b. ANOVA for the Regression Analysis

	Sum of Squares	Degree of freedom	Mean Square	F- ratio	Significant
Regression	3467.031	1	3467.031	404.999	0.001
Residual	1266.969	148	8.561		
Total	4734.000	149			

$R = 0.856$; $R^2 = 0.732$; Adj. $R^2 = 0.731$; Durbin-Watson = 1.989

Source: Research Data 2023

Table 4a and 4b shows that there is a significant effect of the digital payments on customer experience within the study area. The positive co-efficient implies that the digital solutions adopted by the respondents would enhance the customer experience by 11% ($t = 11.535$).

This is further shown by the model below.

$$DPs = 5.283 + 11.535 Cusexp \quad DPs = \text{Digital payment}; \quad Cusexp = \text{Customer experience}$$

The coefficient of determination value (R^2), 0.675, indicates 67% variation in customer experience that could be explained by the effect of the explanatory variables (Digital payment).

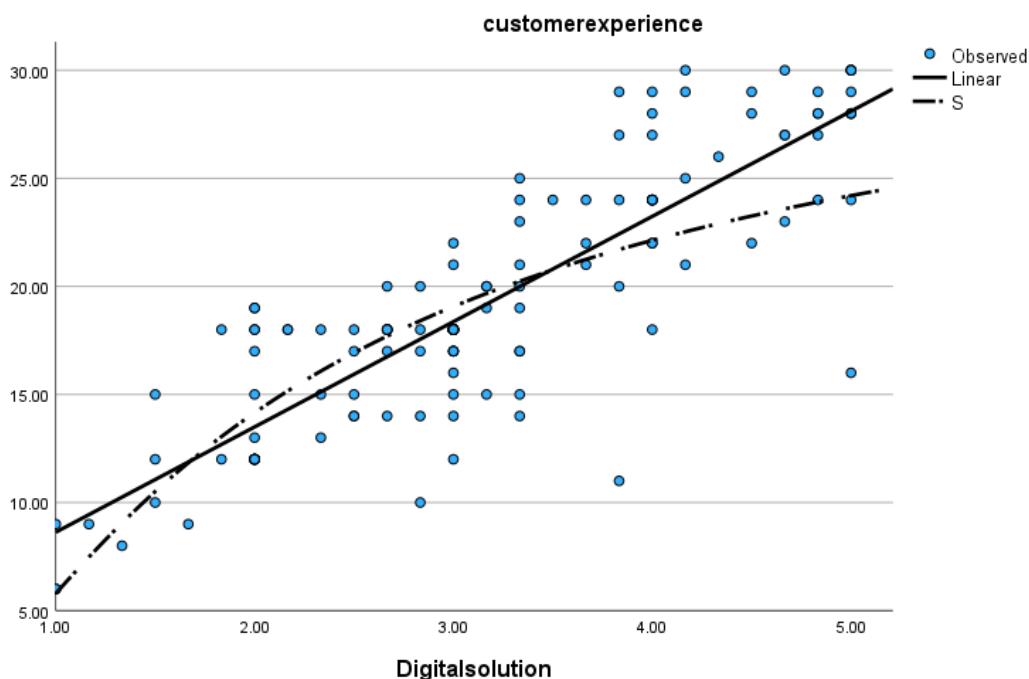


Figure 3; Effect of Digital Solutions on Customer Experience

Source: Research Data 2023

However, with Adjusted R^2 the variation is reduced to 60%, because of inclusion of the explanatory variables in the model. The Durbin-Watson value, 1.556, suggests some serial autocorrelation among the (explanatory) variables. The goodness of fit of the model is represented by the significance of F ratio in ANOVA table; $F_{(6,117)} = 133.046$, implying that the data fitted into the regression line.

4.5 Discussion of Findings

The findings of this study concerning digital payment options offer compelling insights on the contemporary consumer behaviour in the Nigerian retail sector. The emerging dominance of USSD transactions represents a fascinating intersection of technology adoption and convenience. USSD transactions' popularity, as shown by the 30.0% preference rate among the respondents, depicts the allure of seamless, instantaneous, and round-the-clock transactions without the necessity for internet connectivity (Ram, 2015). This finding aligns with the study of Badiru and Afolabi (2016), who observed an increasing inclination among African consumers towards USSD-based services, attributable to their ubiquity and ease of use. The USSD transactions, being relatively straightforward and accessible even on non-smartphone devices, offer an inclusive financial solution, bridging the digital divide.

The preference for POS transactions which shows a 26.7% choice rate speaks to the widespread acceptance and trust in electronic payment systems. As elucidated by Adeoti (2013), the retail sector's proliferation of POS terminals is a testament to the merchants and customers acknowledging the benefits of reduced cash handling, instantaneous payment confirmations, and improved sales efficiency. The relatively lower, but still substantial, preference for ATM and bank app transactions, at 20.7% and 22.7% respectively, might be reflective of the diversified digital payment ecosystem in Nigeria. While ATMs offer tangible, familiar interfaces, bank apps cater to a tech-savvier demographic seeking a multitude of services beyond mere transactions (Jegade, 2014).

The retail sector's modern dynamics demand a thorough understanding of the technology's implications for customer experience. Other findings from this study shows a strong correlation between digital payment options and customer experience. the Pearson correlation coefficient stood at 0.688, which is indicative of a moderate positive relationship. This finding agrees with the assertions of Rane et al. (2023) who argued that a diverse array of payment options not only provides customers with convenience but also instil a sense of empowerment in their shopping journey. Furthermore, as suggested by Lemon & Verhoef (2016), flexibility in payment modes can reduce transaction friction, thereby elevating the overall customer experience. This study reinforces these notions, implying that retailers who incorporate an array of payment options such as ATM payment, POS, USSD and Bank transfers are better positioned to enhance their customer's shopping experience.

These results reflect the findings of Stocchi et al. (2022), who opined that digital solution such as websites and merchant retail app, such as intuitive websites and mobile applications, can offer customers unparalleled convenience, real-time support, and a personalized shopping experience. Also, the work of Bilgihan et al. (2016) highlighted the escalating customer expectations for digital solutions in the retail sector. All these correlates strongly with enhanced customer experience. It is thus evident that retailers investing in sophisticated and responsive digital solutions like responsive website and efficient mobile app are not merely riding the digital wave but are also significantly augmenting the customer experience.

Conclusion

The study showed that the modern Nigerian consumer is not just tech-savvy but also values the convenience and efficiency brought about by digital platforms and diverse payment methods. The USSD transactions have emerged as a frontrunner, reflecting a preference for instantaneous

and accessible transaction methods. Strong correlations identified between the use of digital solutions and enhanced customer experience affirmed the indispensable role of digitalization in modern retailing. While the retail sector has traditionally thrived on interpersonal interactions and physical transactions, the current trend indicates a convergence of the physical and digital worlds. Retailers who strategically integrate digital payment options and leverage digital platforms not only stand to enhance the shopping experience but also foster customer loyalty and retention.

The study concluded that as the retail landscape continues its march towards digitalisation, retailers who strategically implement diverse payment options and robust digital solutions stand to gain the most in terms of enhancing customer experience, thereby ensuring sustained loyalty and competitive advantage in an increasingly digitised market.

Recommendations

Based on the findings of this study, the study recommends that retailers should invest in creating and refining user-friendly digital platforms, like mobile apps and websites. Given the evident preference for varied payment methods, especially USSD, retailers should diversify their payment platforms. Also, retailers should pursue partnerships with tech firms and fintech start-ups to seamlessly integrate cutting-edge digital solutions, thereby staying ahead of the competition. Another recommendation emanating from the study is that Government should devise and continually update a regulatory framework that bolsters the growth of digital transactions, ensuring a secured environment for both retailers and consumers. Policies that favour expansive and stable digital networks should be put in place to catalyse the digital retail evolution in Nigeria

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