

The credit card and related advantages marketing essay

[Business](#), [Marketing](#)



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Prof Debasis Pradhan

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Consumer Behaviour and Marketing Research (CBMRRB12-3)Assignment

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Topic

Impact of credit card mismanagement on consumer impulse buying behavior

Group Details: (Hyderabad, Kondapur)

Name of the Student

XSAT ID

Sopan Shintre110394Sukanta Sahoo110323Ruheena

Sultana110762Anandraj Tadkal110575Table of Contents: Abstract

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Abstract:

The credit card and related advantages and disadvantages have been discussed many times earlier. Also the various papers / articles are available on impulsive behavior of consumer in various situations. It is understood that there is great mismanagement of credit cards by consumers when it comes to buying using these cards. This research work is objected to understand the impact of mismanagement of credit cards on the impulse buying behavior of the consumer. To understand it we have done market survey of more than 200 consumers with different demography. The data then analyzed to conclude how the mismanagement of credit card actually impact on the impulse buying behavior of consumer.

Introduction:

The impulse buying is a kind of personality trait; in this the people behavior will be spontaneous. In other words, the buying will happen impatiently. The revolutionary change in e-commerce and credit card system in banking has further increased the impulse buying behavior of the consumer. In this assignment we will study the impact of mismanagement of credit cards on impulse buying behavior of the customers. Having a credit card now-a-days

has become something of a necessity with most of the working professionals and the urbane youth being heavily dependent on this plastic savior. The advantages of carrying a credit card is manifold with the consumer not having to carry any money physically, hence not having to worry about being stolen of real money. As per advertisement on TV channels, it's a prestigious thing to have credit cards or payment through using cards. Also there is liberty for card holder to purchase goods irrespective of one's current balance and income level. Various banks are providing lucrative benefits to the card holder. Through this assignment we will conduct the survey of consumers with different demography to understand the mismanagement of credit cards and its impact on impulse buying behavior. So, there are two parts, one is impulse buying behavior which gets affected by mismanagement of credit cards.

Literature Review:

Lot of work has been done about impulse buying behavior and mismanagement of credit cards. People have been observed to make impulsive purchases very regularly. With malls, stores and their billing sections strategically placed to make a customer make purchases on impulse, people are actually spending more. What makes a customer make these purchases is the fact that, the items for example at a billing section are usually packaged eatables, small gift items like soft toys, key chains etc and grooming sets. While the customer is waiting for the billing to be done, he has to go through and view all these items and without thinking, the customer might purchase something given that the items pricing. The same

can be observed at shopping malls where the customer is made to go through a series of clothing and other sections before hitting the billing counter where also, multiple items can be observed to have been placed. This nature of impulsive buying can be attributed to a number of factors like The need for instant satisfaction Related items of the actual items intended for purchase Shopping lifestyle of the customer With growing incomes and the opportunity to own multiple credit cards, impulsive buying has risen with the most common reason being instant satisfaction. The customer though he doesn't have the money to make a purchase of a good, with the available credit card, he/she can make the purchase with the option of making a payment later. And people tend to spend more with higher credit limits which makes them feel wealthier irrespective of their saving or income. These people also tend to misuse their credit cards, purchase goods they do not need or afford, do not remember the purchases made. Adding to everything, it is appalling to note that how people are ignorant of the high interest rates, the debt that they keep piling up with the option of minimum payment available now. People are not realizing that they end up paying so much more than the actual cost of the good. The option of easy installments drives this psyche of not looking at the bigger picture and the final cost incurred. A consumer possesses an easy EMI re-payment option for a purchase of a good which is on the higher side of the cost or multiple items. He has the option to repay the entire amount at a single instance or in convenient multiple small payments (EMI). If the person goes for the latter, it is his duty to check for the interest levied on those multiple payments, minimum payment, final cost incurred etc. So let's understand the impulse buying

behavior through personality traits and mismanagement of credit cards. This will be followed by the impact due to mismanagement of credit cards.

Personality qualities and impulse buying

Following are few personality factors potentially related to impulse buying:

Non-resistance to intense buying desire- Resistance is a very important factor which ensures the impulses are in control. It panels impulsive buying to a great extent. On the other hand, impulse-provoked individuals are unstructured and careless for that moment. They decide things at the spur of the moment and their emotive variations are readily noticeable. They usually give into their impulses and fulfill their desires at such a given situation by making purchases which satisfies their current needs. So this is one of the reason why they become excited and do purchase without thinking about need, utilization, product evaluation and lastly about money that will go by purchasing that product.

Again this will be based on the confidence that credit card will take care of that purchase for the time being. At the back of mind it is clear that money will not be going immediately from pocket or bank account. The major consideration behind such purchase is the time frame provided by credit card bank for re-payment with different re-payment options.

Anxiety as a reason – We are talking about anxiety as one of the major contributors for Impulse buying, where such reaction represents systematic distinct differences in the occurrence and likelihood of stimulus to situational cues with undesirable emotional behavior. These negatives are experienced

daily rather than on extreme situations such as loss of a loved one or separation. As per the recent survey we see an increasing amount of population falling prey to such anxiety hence increasing their debts while they try to cope up with their instant needs. Wish to be attractive - Fantasizing to possess all the things which they don't currently and an inclination to become engrossed in self-involving capabilities which are triggered by fetching external and imaginable stimuli. Basically, they: 1) are emotionally receptive to appealing sights and sounds; 2) are easily captivated by entrancing stimuli; 3) think in images and synesthetic and other cross modal experiences; 4) high degree of involvement in intense and enthralling imaginings and recollections; and 5) experience snapshots of altered states and expanded awareness. Self esteem - To portray individual with premium identity in the society, to fulfill this desire people exceed beyond their habitual transactions. This leads to impulse buying for various things like apparels, luxury items, fashionable accessories and luxury cars/bikes. Having credit cards executes this impulse buying behaviour in to actual transactions. And the effect creates surplus buying through credit card. Since the above transaction happens beyond general requirement, repayment becomes a major issue because of the unplanned buying. Also this leads to more number of credit card repayment defaulters. Over a period of time this consumer behavior puts in financial burden on the credit card service provider.

Finally it is the personality factors or in other words buying behavior that leads to unplanned purchase. This also force customer to make use of credit cards and its repayment options provide by the credit card service providers.

Marketing, e-commerce (Internet) and Advertisement impact on impulse buying behavior.

Impulse buying behavior is almost everywhere in the market. It is a kind of appeal from product to the customer that customer cannot resist from buying that product. This behavior is again further become more impulsive by various other things like advertisement, display boards, on the spot offers, convenience buying through telephone and On-line purchase through internet websites. All these facilities will increase impulsive buying of the customer. These impulses supported by credit cards with different facilities like EMI payment mode and minimum payment burden per month etc.

Here's some light on how marketing works and attracts people into impulsive buying: When an ad is placed strategically, in different mediums, a person tends to be exposed to the brand, to an item constantly might trigger a feeling of need for that item. It can also be true for impulsive buying as well, where a customer though has no plans to buy a specific item, might end up buying the same item when he is made to think that he is in need of that item and when purchased, gives him instant satisfaction. Online shopping is a trend that uses the knowledge of impulsive buying to attract people to their websites and make them purchase goods. A person is surfing the net or on social networking websites which thrive on ads, if the person tends to see an online offer on apparel, he tends to click on the link and check the apparel online. Even though he doesn't really bother to gauge if he really needs to

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make the purchase, he thinks about the discount being offered on that apparel. He rationalizes about the price of the apparel, jumps at the discount and makes the purchase. The purchase again can be made conveniently with a credit card, debit card or cash on delivery. All of this just adds on the online shopping experience where the person thinks that he has just snatched up a very good deal and that too with convenient payment options. Another factor for online impulsive buying is seldom along with the availability of credit card payment. Usually when a person is not being productive, being a socially active animal, he tends to check out the latest additions to the apparel shopping website he usually shops at. If he finds anything new, interesting added with some discount, the person is bound to make the purchase to make him feel good about himself, feel more confident, happy and satisfied. We have a number of studies where it is observed that shopping and buying goods elevates a person's mood, makes him feel more confident because of the spending quotient, the feeling of acquiring something and showing it to the world. Multiple banners/ads: The impact of multiple advertisements is anticipated to be different from old-fashioned media such as broadcast and print media. In broadcast media, occurrence and time of exposure is outwardly controlled. That is, the regularity and occurrence of exposure is partial and controlled by the advertisers. In print media, although the receiver controls the frequency and the duration of coverage, tracking the number of exposure is impracticable. Web offers specific measures of frequency and on-line users' navigational behavior through click-watercourse data. In addition to advertising regularity, advertising plea, product participation and advertisement

category are significant moderators in advertising communication. Moreover, different types of banner advertisements also generate different consumers' responses leading to impulsive purchases. Thus, the purpose of this exploration is to propose a hypothetical model identifying the impact of manifold banner advertisement exposures on consumers' cognitive responses moderated by advertising appeal, product involvement, and advertisement type and hence adding onto the increasing charges at the consumers end on the given credit they poses.

Survey Methodology:

We have captured the primary data using self-administered survey questionnaire which uses a Likert scale based on the developments defined in the literature review. The questionnaire encompasses different aspects regarding the impulse buying behavior and how this impulsive behavior is influenced when using the credit cards. The survey addresses the below four traits: Demo graphics Impulsive nature Brand Association Self Esteem Credit cards management The questionnaire was circulated among the XLRI batch mates, friends and colleagues. We got the feedback from more than 150 respondents. Demographics: First section emphasizes on the demographics of the respondents like age, sex, annual income, occupation status. This gives an idea about the age, gender that has propensities towards impulse buying nature and how the occupation can influence the buying patterns. Impulsive Buying Nature: The second section encapsulates the essence of the impulsive nature of the respondent, how they feel when they go shopping, their attitude towards shopping whether they are very casual

about what they buy etc. Brand Association: The third section describes about the respondents attitudes towards the branded products, how he associates himself with the product, the influence of the reference groups on the buying patterns. Self Esteem: The fourth section describes about how the personality traits of an individual is associated with the impulse buying, the stress reactions when the respondents react with a negative emotional state. Credit Cards: The last section emphasizes how the respondents buying pattern changes while paying through credit cards, respondents' attitude the credit card repayments. Impulse buying behavior could be accelerated by the usage of credit cards (Roberts and Jones, 2001; Kim, 2001a; Kim, 2001b), a quintessential need to investigate the existence of the relationship between the impulse buying behavior and the credit card usage.

Research objectives:

To investigate the relationship between the credit card mismanagement and the consumer impulse buying behavior.

H0:

There is no dependency between the impulse buying behavior and the credit card management. Alternate Hypothesis H1: There is an association between impulse buying behavior and the credit card management

Data collection and analysis:

The questionnaire survey was disseminated on an Accidental sampling method and collected from our friends , colleagues and XLRI Batchmates. That helped us to gather as much as information from the population that

was readily available and opportune. The survey was filled by more than 200 respondents

Data Analysis and Report:

Sample Profile:

We collected data from 210 respondents, below is a detailed table of data analysis of the respondents based on demographics. We could see that out of the 210 respondents, large chunk of respondents 72.85% (153 respondents) are male and around 27.14% (57 respondents) comprised of female respondents. When we take the age of respondents into consideration, we could see a large number of respondents around 73.8% (155 respondents) falling in the age range of 25-40 years. And around 19.04% (40 respondents) whose age is greater than 40 and a lower number of respondents 9% that belong to the age category between 18-24.

Interestingly we find a large number of our respondents' occupational status as student i. e. around 74.7% (157 respondents) and substantial number of respondents' occupation being service 18% (38 respondents) If we look more statistics on the demographic characteristics, we could see that large chunk of respondents i. e around 76.6% (161 respondents) have a salary of more than 30000 per month. There are a small number of respondents around 14.28% (30 respondents) whose salary falls in between 10001 to 30000 and the remaining number of respondents around 9% falls under income group of less than 10000. Below is the detailed breakup of the frequencies of occurrences

Column1**Column2****Column3**

Characteristic Frequency Percentage Gender Male 15372. 9 Female 5727.
 1 Age 18-24 157. 125-40 15573. 8 Above 40 4019. 0 Occupation Student 15774.
 8 Service 3818. 1 Business 157. 1 Homemaker 0 Retired 0 Income Group 0 to
 10000 199. 010001 to 30000 3014. 3 more than 30000 16176. 7 Total
 Respondents 210

Reliability and Validity:

We used the Cronbach's methodology to establish the reliability and validity of the survey scale. This method is used to understand the internal correlations of the measures used for the survey. Below is the list of measures used.

Measures used were as follows:

Individual Behavior (ibtv1) I often buy things spontaneously (ibtv2) 'Just do it' describes the way I buy things (ibtv3) I often buy things without thinking (ibtv4) 'I see it, I buy it' describes me (ibtv5) 'Buy now, and think about it later' describes me. (ibtv6) Sometimes I feel like buying things on the spur of the moment (ibtv7) I buy things according to how I feel at the moment (ibtv8) I carefully plan most of my purchases (ibtv9) Sometimes, I am a bit reckless about what I buy.

Brand Association (csiv1) I rarely purchase the latest fashion styles until I am sure my friends approve of them. (csiv2) It is important that others like the

products and brands I buy.(csiv3) When buying products, I generally purchase those brands that I think others will approve of.(csiv4) If other people can see me using a product, I often purchase the brand they expect me to buy.(csiv5) I like to know what brands and products make good impressions on others(cshiv6) I achieve a sense of belonging by purchasing the same products and brands that others purchase.(csiv7) If I want to be like someone, I often try to buy the same brands that they buy(cshiv8) I often identify with other people by purchasing the same products and brands they purchase. Credit Card(cardv1) My credit cards are usually at their maximum credit limit (i. e. credit card spending touches the maximum credit limit available)(cardv2) I frequently use available credits on one credit card to make a payment on another credit card(cardv3) I always pay off my credit cards at the end of each month(cardv4) I worry how I will pay off my credit card debt(cardv5) I often make only the minimum payment on my credit card bills(cardv6) I am less concerned with the price of a product when I shop with credit cards(cardv7) I am more impulsive when I shop with credit cards(cardv8) I am seldom delinquent in making payments on my credit cards(cardv9) I rarely go over my available credit limit(cardv10) I seldom take cash advances on my credit cards(cardv11) I have too many credit cardsEsteem(esteemv2) At times I think I am no good at all(esteemv5) I feel I don't have much to be proud of(esteemv6) I certainly feel useless at times(esteemv8) I wish I could have more respect for myself(esteemv9) All in all, I am inclined to feel that I am a failure(v23_a) On the whole, I am satisfied with myself(v26_a) I feel that I have a number of good qualities(v28_a) I am able to do things as well as most other people(v32_a) I

feel that I am a person of worth, at least on a equal plane with othersWe
have calculated the calculated the Cronbach's alpha to ascertain the internal
consistency of the data captured. Below is the list of the cronbach's alpha for
each measures. ConstructItemMeanStd. DeviationCronbach's alphaIndividual
BehaviorIBTV12. 931. 151. 852IBTV22. 811. 154

IBTV32. 421. 135

IBTV42. 771. 204

IBTV52. 331. 167

IBTV63. 301. 071

IBTV73. 161. 111

IBTV8R3. 90. 904

IBTV82. 10. 904

IBTV93. 201. 134

Brand AssociationCSIV13. 021. 2120. 929CSIV23. 041. 262

CSIV32. 981. 200

CSIV42. 701. 161

CSIV53. 241. 182

CSIV62. 851. 203

CSIV72. 531. 268

CSIV82. 681. 257

Credit CardCARDV12. 491. 2730. 865CARDV22. 241. 316

CARDV33. 851. 092

CARDV42. 591. 292

CARDV52. 551. 327

CARDV62. 641. 306

CARDV72. 821. 250

CARDV83. 081. 266

CARDV93. 781. 202

CARDV103. 141. 479

CARDV112. 451. 298

EsteemESTEEMV22. 691. 2510. 764ESTEEMV52. 671. 203

ESTEEMV62. 751. 256

ESTEEMV83. 221. 182

ESTEEMV92. 311. 281

V23_A4. 08. 868

V26_A3. 99. 867

V28_A3. 96. 806

V32_A4. 02. 782

V36_A4. 10. 852

Based on the cronbach's alpha thumb rules, we could see that the internal consistency for all the constructs is greater than the minimal acceptable levels of 0.7. The construct validity of scale was done by calculating the chi square values. Results supported by the below values Chi-Square = 114.59, DF= 16, p-value = 0.0001. From the chi-square test of independence suggest that the chi square probability $p = 0.0001 < 0.05$, hence we would be rejecting the H_0 and assume that there is a correlation between impulsive buying behavior and the credit cards.

Conclusion:

This research on consumer impulse buying behavior constitutes a stepping stone to the road to understand impulse buying. The results of this study serve as a foundation upon which additional future research questions can be examined. Based on our survey we have arrived on following findings: Some of the main reasons of the impulse buying behavior of people using credit card: Increasing income level of average population, People started, mainly younger generation starting good amount of income without having any aligned or planned expenditure demand, More virtualization of business through internet and tale transaction, Retailers and website designers have been provided with clear guidelines that will aid them in designing more effective marketing strategies as well as web interfaces that will attract consumers and engage them in an impulsive behavior. Also because of growing busy life style people are succumb to radical feelings like positive feelings, "depressed feelings," "feeling fat," and "painful feelings at a random. Both positive and negative affective states appear to be potential triggers for impulse buying. And having credit card access makes the effect

more impulsive. This may be interpreted as indicating that less impulsive people tend to be concerned with "smart buying" by utilizing good deals. Thus, those who demonstrate the greatest amount of control in their lives are susceptible to impulse buying for rational, rather than affective, reasons. They do so to get a good deal, rather than because of a great desire for the product or to influence their mood state. This may be manifested by a reduction in willpower since price is no longer as large a deterrent, because credit card making the user to be lesser impacted immediate. This study identified differences in cue sensitivity among people scoring high versus low on the buying impulsiveness scale. Interestingly, high impulsive buyers were shown to be more reactive to factors reflecting external triggers, compared to low impulsive buyers. These triggers mainly involve environmental, sensory, and product stimuli controlled by the marketer (e. g., advertisements, promotional gifts, visual elements, and clothing and looks). As a result, retailers may be able to play a key role in determining the types of impulse purchases made by people who are prone to engage in impulse buying. Overall, this study has attempted to further develop our understanding of the causes of impulse buying through credit card. This behavior may well stem from several different causes that include broad personality characteristics, as well as specific short-term states and environmental stimuli. The relationship of the underlying personality factors and the specific stimuli that trigger specific episodes of impulse buying seemed both logical and useful, and is deserving of further study. The knowledge generated as a result of this research endeavor of Credit card impulse buying behavior can also be utilized to better practice i. e. efficient

e-Retailers and website designing. Also the user can use the result of the survey for identifying the pattern of impulse buying and hence controlling upon the future impulse transaction through credit card.