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An evaluation of consumers' adoption and use of store cards and related facilities in Botswana

by

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M. Consumer Science

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Study leader: **Prof Alet C Erasmus**

University of Pretoria

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ABSTRACT

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The past decade has shown an unprecedented growth in the use of consumer credit facilities, specifically of store cards, in Botswana. Various factors may have attributed to this growth, e.g. the effect of globalization and the consequent introduction of materialistic values in Africa that instigated the desire to increase living standards; the introduction of sophisticated shopping centers and related retail facilities; fierce competition amongst retailers that motivated retailers to extend credit facilities to consumers across the socio economic spectrum. On the one hand retailers profit from high interest rates on credit accounts. On the other hand consumers are attracted to credit facilities through attractive benefits such as flexibility of payment and convenience of use. The quest for lavish consumption that is typical of our times, has increased the need for credit systems, especially those that are easy to obtain, such as store card accounts. Unfortunately the adoption and use of credit facilities may have harmful economic implications to consumers as well as the economy unless proper facilitation prior to the approval of credit accounts is exercised.

This research investigated the factors that may encourage the adoption of store cards and describes the effect of store cards on consumer's buyer behavior as well as their eventual satisfaction with store card facilities after prolonged use. The investigation was fundamentally constructed from primary data. The findings provide first hand insights on the use of store cards. The research was exploratory in nature and was conducted within a quantitative paradigm.

Data was gathered with a questionnaire that was completed in interview format or under the supervision of the researcher. The primary data was statistically analyzed. Descriptive analysis was used to give an overview of the demographic data and responses to the main questions of the research. Inferential analysis was used to determine the relationships between store card attributes and the respondents' satisfaction levels.

Financial and convenience attributes of store cards were identified as the most important influences during a decision to adopt a store card. Additional benefits and special incentives are apparently not that important. Similarly marketing influences such as advertisements and persuasive influences of salespeople seemed of lesser importance. Respondents later indicated that they are not fully informed about the additional benefits that are associated with store cards and consequently indicated their dissatisfaction with these attributes. Dissatisfaction with these attributes (although they were apparently of lesser importance) affected the general mean satisfaction score for store cards negatively: the mean score of 18.91 out of a maximum of 30 is not impressive and presents retailers with much room for improvement.

These results cannot be generalized due to the limited scope of the research. However, valuable insights can be used to structure a larger research project that involves store cardholders of various retail outlets. The findings as is can also be used by professionals in Consumer Science to educate consumers on credit management and to encourage informed, responsible buyer behaviour through proper budgeting and clear long term goals in terms of income and expenses. The findings may also contribute to existing theory on consumer credit.

OPSOMMING

'n Evaluering van verbruikers se aanvaarding en gebruik van winkelkaarte en verwante fasilitiete in Botswana

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Die afgelope dekade in Botswana is gekenmerk deur 'n ongekende toename in die gebruik van kredietfasiliteite, veral winkelkaarte. Faktore wat hiertoe bygedra het, sluit onder meer in: globalisering wat terselfdertyd materialistiese waardestelsels na Afrika oorgedra en die begeerte om lewenstandaarde te verhoog tot gevolg gehad het; die oprig van gesofistikeerde winkelsentra en bekendstel van verwante kleinhandelfasilieite; sterk onderlinge kompetisie in die kleinhandelomgewing wat tot die beskikbaarstelling van kredietfasiliteite aan verbruikers oor die wye sosio ekonomiese spektrum gelei het. Enersyds baat kleinhandelaars by die hoë rentekoerse wat op rekeninge gehef word. Andersyds vind verbruikers hierdie kredietfasiliteite met aantreklike voordele soos buigbare betaalopsies en gerief van gebruik baie aanloklik. Oordadige verbruikersbesteding wat tipies is van ons tyd, het die vraag na kredietfasiliteite, veral diè soos winkelkaarte wat maklik bekombaar is, verhoog. Ongelukkig hou die aanvaarding en gebruik van krediet nadelige gevolge vir verbruikers sowel as die land se ekonomie in tensy behoorlike fasilitering die goedkeuring van sodanige fasiliteite voorafgaan.

.

Hierdie navorsing het ondersoek ingestel na faktore wat die aanvaarding van winkelkaarte aanmoedig en beskryf die effek van die gebruik van winkelkaarte as betaalmiddel op verbrukers se koopgedrag en hulle uiteindelike tevredenheid met winkelkaartfasiliteite na verloop van tyd. Primêre data is gebruik. Die bevindinge bied eerstehandse insigte oor die gebruik van winkelkaarte. Die navorsing was verkennend van aard en is binne die kwantitatiewe paradigma uitgevoer.

Data is ingesamel deur middel van 'n vraelys wat in onderhoudformaat of onder toesig van die navorser voltooi is. Die primêre data is statisties ontleed. Beskrywende statistiek is gebruik om die demografiese data te verwer en om die kernvrae van die navorsing aan te spreek. Inferensiële analises is gebruik om verwantskappe tussen die kenmerke van winkelkaarte en verbruikers se tevredenheid te bepaal.

Finansiële en geriefsvoordele van winkelkaarte blyk die belangrikste beïnvloedende faktore te wees wanneer winkelkaarte oorweeg word. Bykomende voordele is oënskynlik minder belangrik. Ook bemarkingsinvloede soos advertensies en die oorreding van verkoopsmense was minder belangrik. Respondente het later aangedui dat hulle nie ten volle ingelig is oor die addisionele voordele wat met winkelkaarte verband hou nie en het gevolglik ook hulle ontevredenheid daarmee aangetoon. Ontevredenheid met hierdie eienskappe (hoewel dit oënskynlik minder belangrik is) het die gemiddelde mediaan vir tevredenheid met winkelkaarte negatief beïnvloed: die telling van 18.91 uit 'n moontlike 30 is nie indrukwekkend nie en dui daarop dat kleinhandelaars heelwat ruimte het vir verbetering.

Die bevindinge kan nie veralgemeen word nie omdat die omvang van die navorsing beperk was. Waardevolle insigte wat verkry is kan egter gebruik word om 'n meer verteenwoordigende navorsingsprojek te beplan wat meer kleinhandelaars betrek. Die bevindinge kan ook gebruik word in Verbruikerswetenskap om verbruikers in terme van die gebruik van krediet te onderrig en om verantwoordelike ingeligte verbruikersbesluitneming aan te moedig deur die opstel van behoorlike begrotings met duidelike langtermyndoelwitte in terme van inkomstes en uitgawes. Resultate kan ook bestaande teorie oor verbruikerskrediet aanvul.

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NOTIFICATION

This research project is a result of my own independent work (except where otherwise stated or referenced), under the supervision of Professor Alet C Erasmus. It was carried out as partial fulfilment of the requirements for the Masters Degree in Consumer Science. The research was done within the focus area of CONSUMER BEHAVIOUR and CONSUMER FACILITATION.

The population of this study was all Edcon store cardholders, specifically those of Edgars and Jet stores in Francis town and Gaborone in Botswana. The sample consisted of 100 store cardholders with 56 in Gaborone and 44 in Francistown. The sample for this investigation was drawn conveniently (purposively) by the researcher. The research was an exploration of the most important reasons for the adoption of store credit cards by Edcon customers in Botswana and presents a description of their satisfaction with the facility after prolonged use. Due to the size of the sample, the findings cannot be generalised. However, significant trends have been identified that could be pursued with further research.

YEAR OF STUDY: 2006

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CHAPTER 1

BACKGROUND TO THE STUDY

This chapter presents the background to, and motivation for the study. It introduces the research problem as well as important concepts that were used throughout the study.

1.1 BACKGROUND TO THE STUDY

In the distant past people used to save diligently and paid cash for the small items such as clothes, shoes, and jewellery that they purchased (Fianu, Ampfu & Owusu, 1998:103; Davis, 2005:1). In those days, people used conventional methods such as cash and personal cheques to pay for their retail goods and services. The credit system of payment, prevalent today, was mainly reserved for major and durable goods, such as motorcars, houses and large household appliances such as sewing machines, and furniture. In earlier years, people seldom used credit to purchase smaller and perishable goods (Fianu *et al*, 1998:103; Davis, 2005:1) mainly because the use of credit was viewed as shameful and a practice that needed to be avoided.

However, nowadays, perceptions have changed. The use of credit is seemingly increasing, replacing cash and personal cheques amongst the people in contemporary societies, both in developing and developed countries (Kaynak, Kucukemiroglu & Ozmen, 1995:52). In modern societies consumers often prefer to purchase goods on credit, regardless of the type of commodity (Fianu *et al,* 1998:103; Soman, 2001:460). Many factors have contributed to the rapid growth of credit in developed and developing counties such as Botswana (Baker, Tansu, Sekerkaya & Ahmet, 1992:27; Kaynuk *et al*, 1995:52). Some scholars cite the proliferation of European and American type of buyer centres in major cities around the world as a factor (Ger, Russell & Belk, 1996:273-275; Miller, 2005:117). In Southern African countries such as Botswana, Lesotho, Namibia, and Zambia, many shopping malls emerged in the past few years (Miller, 2005:2-3). In Botswana for instance, there has been an eruption of major shopping malls in major towns of Botswana, particularly in Gaborone and Francistown. Three shopping malls have been built in Gaborone recently. The most imposing being Game City (built along the Western-By pass Highway in the foot of Kgale Hill), which is believed to be the

largest shopping centre in the country (Internet: Botswana Daily News online). Other shopping malls in Gaborone include the 150 Million River Walk Mall built along the Zeerust Road and the Fair Ground Shopping Centre (Internet: Botswana Daily News on line). In Francistown two large shopping malls that were opened recently include Nzano Centre, Gallo Centre and Nswazi Centre (Internet: Botswana Daily News on line). The establishment of shopping centres means that a wide range of departmental, discount and independent stores, which offer similar merchandise, now proliferates (Ger *et al*, 1996:273-275; Miller, 2005:117).

In order to be more competitive, store cards that are similar to bank credit cards, were introduced (Kenny, 2007:1). Retailers thus offer credit facilities along with store cards as a way of recruiting and retaining as many customers as they can to maximise profits (Szmigin & Bourne, 1998:6; Lown, 2005:402). Store cards offer revolving credit that can be used for an array of goods and services, many of which do not deserve to be purchased on credit because they are either cheap or low in value. Retailers actively encourage the adoption of store cards by offering special rewards such as discounts, vouchers, club membership, funeral benefits and legal representation (Szmigin & Bourne, 1998:6; Benavent, Warden & Domicri, 2004:5).

Several researchers, both local and overseas, have suggested that the increasing number of departmental and independent stores resulted greater availability of merchandise, which increases consumer's admiration of goods (Ger *et al*, 1996:273-275; Miller, 2005:117). All these lead to consumer's propensity to use credit regardless of their financial status (Lee & Nan Kwon, 2002:240).
In increasingly materialistic societies (Botswana is no exception), consumers have also undergone a cultural transformation whereby people have the desire to purchase and own goods even if it means spending beyond their means. People may even derive satisfaction and a sense of well-being from the consumption of goods and the quality of their possessions (Richins, McKeage & Najjr, 1992:229; Ger *et al,* 1996:271-304). In a country where the majority of the average consumers work in the civil service, lavish consumption inevitably means that many people cannot afford to pay cash for the goods/service that they need to suit and maintain their lifestyle (Griffiths, 2000:24). The availability and accessibility of credit offered by retailers in conjunction with convincing marketing strategies and consumers' admiration of goods have encouraged the adoption of credit without giving it much consideration (Ger *et al*, 1996:271-304; Lee & Nan Kwon, 2002:240).

Although in principle there is nothing wrong with the use of store cards, *per se*, there are potential economic implications that can be harmful to national economies such as Botswana's (Griffiths, 2000:23). Ownership of store cards may, for example, encourage consumer spending which creates consumer debt and bankruptcy (Evans & Schmalensee, 2005:48-51). It has also been suggested that the ownership and use of store cards

often lead to irrational buyer behavior such as overspending, impulse buying and a lack of price sensitivity (Soman & Cheema, 2002:33-34). This implies that consumers are more inclined to spend when they possess credit cards because their buying power is not limited by the amount of cash in their purse (Soman & Cheema, 2002:33-34; Evans & Schmalensee, 2005:48-5). However, the influence of store cards on Botswana consumers who have not been exposed to sophisticated retail facilities until fairly recently is unclear.

1.2 RESEARCH PROBLEM

Edcon Consolidated is the largest and the leading clothing retailing chain in both South Africa and Botswana. Edcon Consolidated comprises of departmental stores such as Edgars, CNA, Boardmans, and discount division stores such as Jet, Jet mart, Jet shoes, Legit and Super mart, just to mention a few (Edcon Annual Report, 2005). The proliferation of South African retailers in Botswana also means that Botswana's retail economy has undergone significant structural transformation in recent years. The increase in the number of shopping malls has instigated fierce competition for customers. Many of these stores have become a one-stop store for a wide variety of products and they have implemented aggressive marketing strategies, including the provision of credit facilities, to attract and retain as many customers as possible (Szmigin & Bourne, 1998:6; Lown, 2005:402). However, the precise way in which the offering of credit facilities induces the adoption of store cards is unexplored. Little is known about the use of store cards and the customers' satisfaction with these facilities after prolonged use. It is also proposed that consumers who apply for these facilities are neither aware of the consequences nor are they competent to manage it. The benefits associated with ownership of these cards tend to be over emphasised in media while responsible use is seldom addressed, even during the application process.

1.3 SIGNIFICANCE OF THE RESEARCH

Since the introduction of store cards by major retail giants in Botswana in recent years, little empirical research has been to investigate factors that encourage the adoption of store cards or to shed some light on the effect of store cards on customers' shopping behavior and their eventual satisfaction with store cards and related credit facilities, i.e. in terms of how the use of store cards abide with their initial expectations and whether they were aware of the consequences of credit use. This exploratory research is meant to explore this phenomenon to the advantage of consumers as well as retailers so that consumer facilitation could prevent misuse and promote a thoughtful consideration of the use of these facilities. This information will also be useful for professionals in Consumer Science to educate consumers on credit management, will serve as additional literature for teaching purposes and will provide guidelines for more extensive research. The results

will also help policy makers to examine carefully the state of the store credit market and to regulate issuing practices to protect high-risk consumers. The consequent challenge to retailers would be to exercise some integrity in their marketing tactics and to be cautious about predatory practices such as concealment of credit terms (Chien & Devaney, 2001:162-163; Sangutiseree & Lown, 2005:363-365).

1.4 DEFINITION OF KEY CONCEPTS

Certain concepts are defined to reflect the context in which they have been used in this research.

1.4.1 Consumer

Consumer refers to the final user of a product or an individual who buys goods and services for personal consumption (Kotler, Armstrong, Saunders & Wong, 1996:269).

1.4.2 Credit cards

This refers to plastic cards that identify the holder as a participant in a credit plan of a lender. Credit cards include *bank issued cards* (e.g. Visa and Master cards), *store cards* are issued by specific retailers (Edgars/Jet store cards) and *travel and entertainment cards* (American Express, Diners Club) (Lee & Nan Kwon, 2002:239) all share common characteristics but also differ in terms of certain attributes such as prerequisites for approval of clients and conditions of use.

1.4.3 Store cards

Although various types of store cards exist, in this research store cards specifically refer to the type of credit card that is issued by a retailer (Hirschman, 2001:60) e.g. Edcon Consolidated Stores through clothing outlets such as Edgars, Jet and Legit (Hirschman, 2001:60).

1.4.4 Over time

Over time refers to the period of time over which the consumer has owned and used a store card. A minimum period of six months was set for inclusion of participants in this research.

1.5 OUTLINE OF CHAPTERS

Chapter 1

This chapter outlines the background to the study and the problem under investigation. It indicates the purpose and significance of the study. The research questions, the delimitation of the study, the operational terms used in the study are also outlined.

Chapter 2

This chapter provides the literature review required for the theoretical foundation of the study. It examines previous research on store cards as well as appropriate research methodology. In the process, gaps in the work of other researchers are identified.

Chapter 3

This chapter outlines the research paradigm and methodology adopted for this study. The study population and research setting as well as the measuring instrument are outlined and described.

Chapter 4

This chapter presents the results and a brief discussion of the findings of the study.

Chapter 5

This chapter outlines the conclusions and recommendations that are based on the findings. It also outlines some of the limitations encountered in the process of conducting this study and identifies other themes and areas for further research.

CHAPTER 2

LITERATURE REVIEW AND CONCEPTUALIZATION

This chapter provides a review of the literature that deals with store card ownership and potential factors that may persuade consumers to adopt and use store cards. The effects that store cards may exert on consumers as well as their satisfaction with the facility after prolonged use are also explored.

2.1 CREDIT CARD PAYMENT SYSTEMS

2.1.1 The nature of credit cards

Credit cards include an array of plastic cards that identify the holder as a participant in a credit plan of lenders (Garman, 1993:92). They include store cards issued by specific retailers, bank credit cards such as Visa and Master cards, travel and entertainments cards such as Diners Club and American Express. All of these credit cards have different payment options (Garcia, 1980:329; Hirschman, 2001:59; Lee & Nan Kwon, 2002:239-241). It should however be noted that not all plastic cards are credit cards. Some are debit cards that instantly debit or deduct money from cheque accounts. Smart cards, on the other hand, store valuable information about consumers electronically (Garman, 1993:92).

Credit cards have increasingly supplemented other payments such as cheques, cash, and lay buyes as the preferred medium for transactions at POS (Zywicki, 1996:12-13). They are perceived to offer transactional advantages over cash, cheques and other payment methods, for example one not necessarily has to have cash at hand to purchase goods and payment may be done over an extended period of time (Zywicki, 1996:12-13; Portrait Report, 2004:6). Store cards also offer additional benefits such as legal assistance; funeral benefits and flexibility to pay outstanding balances in installments. The security of not having to carry cash in your purse every time you go to the store makes store cards a convenient transactional medium (Zywicki, 1996:12; Gilliland, 2007:1).

Even though credit cards possess a common attribute of extending credit facilities and permitting current purchases based on anticipated future income, they differ significantly in their characteristics. They may differ in terms of the payment system and even in the way they are used (Hirschman, 2001:59). Store cards and bank credit cards seem to be the most popular of all credit cards. Although bank credit cards can be used almost anywhere and are accepted at retail stores, service stations, hotels and transportation agencies, store cards can only be used in certain stores or affiliated stores (Kenny, 2007:1). If consumers thus opt for both, or prefer to use store cards when they have the option to use a bank credit card that is widely accepted, store cards must have some advantage over bank credit cards that need to be explored. Travel and entertainment credit cards are used primarily for hotel accommodations and restaurants (Lee & Nan Kwon, 2002:239-241). All these card systems, however, allow consumers to pay for purchases and services later, for example after 30 days, over six months or even twelve months.

Due to differences in the characteristics of the various credit cards, they may be both complementary as well as competitive. An individual may thus find it useful to carry multiple of types of credit cards, as a single may be inadequate to facilitate all exchange situations (Hirschman, 2001:59). It is however worthy to be noted that carrying multiple credit cards by an individual coupled with acceptance of multiple credit cards by a retailer may stimulate increased purchasing (Hirschman, 2001:68).

2.1.2 Store cards and related facilities

Store cards serve two distinct purposes: (i) to serve as a transactional medium to substitute cheques and cash, (ii) to serve as source of revolving credit (Garcia, 1980:329; Lee & Nan Kwon, 2002:239-242). When used as a transactional medium, store cards are simply used as method of payment at POS. The full amount is then settled upon receipt of a statement at the end of the month. Edgars/Jet customers, who own store cards that provide revolving credit, have the option to pay off outstanding credit balances as revolving credit in installments over a six-month period without any added interest. Alternatively they could pay the outstanding balance over twelve months, in which case interest is charged on the outstanding balance (Garcia, 1980:327). Store cards can thus be used as a source of revolving credit where the balance is paid in installments over a maximum period as long as the client honours the credit limit that is agreed upon when the account is opened (Garcia, 1980:327; Zywicki 1996:6; Lee & Nan Kwon, 2002:239-241; Kenny, 2007:1).

2.1.3 The nature of store card use

Consumers use their credit cards in two distinct ways: (i) as a convenient mode and/or (ii) revolving credit mode. Convenient users tend to employ credit cards as an easy and convenient mode of payment and pay the balance in full each month, choosing not to pay interest charges. Revolvers use their store cards to purchase goods on credit and pay the balance in monthly installments (Zywicki, 1996:6; Lee & Nan Kwon, 2002:239-241). Interest is charged when the payment period exceeds six months or when payments are overdue. Consumers in lower income groups will more likely adopt store cards to generate revolving credit (Garcia, 1980:329-331; Zywicki, 1996:21; Lee & Nan Kwon, 2002: 239-241).

Irrespective of the way in which a store card is used, store cards affect consumers' shopping behaviour and ultimately their overall customer satisfaction. Researchers and authors seem to agree that the possession of credit cards encourages and increases spending (Hirschman, 2001:59). Feinberg (2001:352) reports that possession and use of credit cards is positively correlated with the anticipation and actualization of further use. It is also believed that the possession of store cards impairs the intelligent choice of consumer goods and services when buying goods because many store card owners eventually become restricted to buying at the store that provides the credit facility (Benavent *et al*, 2001:4).

2.2 FACTORS THAT MAY INFLUENCE THE ADOPTION OF STORE CARDS

2.2.1 Factors that may influence the adoption of store cards explained within a systems perspective

Theory relating to consumers' propensity to adopt store cards and their use of these credit facilities is explored within the systems perspective. A person's interpretation of the influences that ultimately leads him or her to choose the store card equates to the *transformation stage* of the system and one's level of satisfaction equates to the *feedback* (Spears & Gregoire, 2003:3).

Various factors may encourage the adoption of store cards as a credit facility (*inputs*). All these factors are eventually *interpreted/transformed* into an *outcome* that seems appropriate (Spears & Gregoire, 2003:3). A consumers' evaluation of the credit facility over time may culminate in either satisfaction or dissatisfaction with the facility and this will be dealt with as personal experience that will influence future decisions (*feedback*) (Spears & Gregoire, 2003:3).

Within the systems approach it is postulated that although various factors/influences may affect a consumer's decision or perceived need to adopt a store card, all factors do not carry the same weight in terms of the final decision to adopt or reject the facility (Spears & Gregoire, 2003:4-5). The systems perspective postulates that certain factors/influences/attributes will be stronger/ more pertinent and that there would probably be a hierarchy and an order in terms of the interactive effect of attributes during the period when the consumer is exposed to a store credit facility and when the facility is considered (Spears & Gregoire, 2003:4-5). During the discussion of the following factors it needs to be remembered that some factors may eventually be more persuasive in terms of a final decision to adopt or reject the facility. A particular factor may even negate the negative implications of others and become the most significant reason to adopt the facility (Spears & Gregoire, 2003:4-5; Clark & Goldsmith, 2006:34-36).

Consumers' need for store cards may be influenced by several factors, which include amongst others, (i) marketing factors; (ii) social factors as well as (iii) personal factors. The marketing and social stimuli enter an individual's consciousness and this in turn, leads to the adoption decision. It is necessary to examine each of these influential factors individually.

2.2.2 Marketing factors

Retailers use store cards as a major marketing tool to reach, inform and persuade consumers to buy goods on credit because of its potential to increase their sales and profits (Szmigin & Bourne, 1998:6). Retailers often use fairly aggressive marketing efforts to persuade customers to acquire store cards by offering rewards and discounts on the purchases that they make, often when entering the store. This could trigger the need to adopt a store cards to fulfill consumption needs (Portrait Report, 2004:4-6). Research by Stoltman *et al* (in Sangsutiseree & Lown, 1994:355-365) also found that attitude towards advertising influenced consumers' choice of credit cards. Consumers who attach more importance to advertisements are more likely to adopt store cards when they are advertised on television, in magazines etc. (Baker *et al*, 1992:4). Marketers also tend to use aspiration groups such as celebrities to promote their products, e.g. First National Bank and Edgars in South Africa have used local celebrities to promote credit and debits cards on television knowing that these types of advertisements may tempt consumers who respect and admire them (Baker *et al,* 1992:4; Internet: Analyzing Consumer Markets, 2005:89).

2.2.3 Social factors

Social factors such as reference groups, social class and social status may encourage the adoption of store cards consumers experience pressure to conform with the ideas and ideals of significant others. Store cards extend credit facilities of cardholders and consequently make socially desirable goods and services more "affordable" (Internet: Analyzing Consumer Markets, 2005:89).

2.2.3.1 Reference groups

Reference groups include groups with whom an individual has direct and frequent interaction with, such as family, neighbours and colleagues as well as groups that an individual has less frequent interaction with such as professional groups and inspirational groups such as celebrities and movie stars (Kotler *et al*, 1996, 273; Schiffman & Kanuk, 2000:264).

Reference groups serve as frames of reference in terms of what is considered acceptable or not during product choice or buyer decisions (Schiffman & Kanuk, 2000:264; Internet: Analyzing Consumer Markets, 2005:89). Reference groups may influence an individual's need to adopt store cards in many ways. An individual may adopt a store card due to group pressure, for example to afford products that significant others apparently expect or require them to have in order to be approved or accepted, i.e. to conform (Schiffman & Kanuk, 2000:264). Store cards may also be adopted because significant others recommend it for whatever reason (Barker *et al*, 1992:4).

The family is the most influential form of reference in an individual's product choice. Family members may influence the adoption of a store card mainly because it provides additional financial support to other family members (Zhu & Meeks, 1994:406). Friends and colleagues can also be influential in the adoption of store cards because regular interaction provides ample opportunity to influence each other's product choice. Friends tend to share ideas and opinions about the products they consume and the idea that store cards could bring commodities within reach may be very attractive especially when a friend admits that he/she has already adopted the facility (Clark & Goldsmith, 2005:35-36; Internet: Analyzing Consumer Markets, 2005:89). A major attraction of store cards is that they are used by customers over the wide socio economic spectrum and are thus not necessarily associated with financial constraints.

2.2.3.2 Socio economic status and social class

Social class refers to a group of people who share similar values, interests and that portray similar consumption behavior. Socio economic status generally culminates in terms of life style and is measured through a combination of variables such as occupation, income, education level and even possessions and residence status (Schiffman & Kanuk, 2000:297; Internet: Analyzing Consumer Markets, 2005:89). Some consumers may adopt store cards because their peers use store cards on a regular basis and indirectly approves the use of this method of payment. Consumers in lower socio economic groups who have limited financial means may adopt store cards to enable them to pay for goods in more affordable installments while more affluent consumers in higher socio economic groups, may find it acceptable based on its convenience and generally settle the balance at the end of the month (Zhu & Meeks, 1994:404).

Social status influences the type of products that are chosen, e.g. a bank manager who is required to wear formal, good quality suits to work every day may depend on his store card that allows him to pay for the suits in more affordable installments over several months (Internet: Analyzing Consumer Markets, 2005:91). Consumers in higher socio economic groups also create their social identities through conspicuous consumption that include the wearing of stylish clothes and living in specific neighbourhoods. In order to maintain certain lifestyles, many thus resort to credit systems (Ger *et al*, 1996:273-275; Internet: Analyzing Consumer Markets, 2005:88-92). Consumers' urge to improve their social status and to be accepted among their peers may thus become an important driving force when considering adopting a credit facility.

2.2.4 Personal factors

Personal factors such as personality may be highly pertinent in terms of a decision to adopt a credit facility. Personality refers to a person's inner psychological characteristics that distinguish one individual from another and reflects how the individual responds to his/her environment (Schiffman & Kanuk, 2000:94). Some individuals are more innovative and venturesome and are willing to accept the risk of doing something new or difficult. Non-innovators, on the other hand, are less venturesome and hesitant to buy or try new things (Schiffman & Kanuk, 2000:94-95). They may thus reject store cards out of fear that they may not achieve the anticipated benefits or may be disappointed (Auger & Gallaugher, 1997:67). Innovators will thus adopt store cards earlier than non-innovators (Clark & Goldsmith, 2005:35). However, given the unprecedented rate at which the use of credit cards has increased, especially in developing countries in recent years one may assume that store cards have become a widely accepted phenomenon (Baker *et al*, 1992:2-3; Kaynak *et al*, 1995:57).

2.2.5 Other factors

The need to adopt store cards is also associated with factors such as financial constraints, and the desire to purchase goods even when consumers do not have the cash to do so (Runyon, 1980:348; Fianu *et al*, 1998:104-106). This may occur when goods are exceptionally expensive and simply un affordable or when a consumer does not have the disposable income at a specific point in time to afford a purchase. This may become a strong driving force to obtain a credit facility especially when the facility is literally offered "on a silver platter" when consumers enter a store (Runyon, 1980:348; Fianu *et al*, 1998:104-106; Portrait Report, 2004:4-6).

2.3 CONSUMERS' ADOPTION OF STORE CARDS

2.3.1 Stages of the adoption process

The adoption process can be defined as the process through which an individual decides to become a regular user of a particular product or service (Roger & Shoemaker, 1971 in Sathye, 1999:325). For many individuals, adopting a store card will depend on their personality, i.e. how much caution is exercised before the final decision. The adoption process involves five stages: ***awareness of store cards***, ***interest in the facility, trial (initial adoption/acceptance) and evaluation*** and the ***final/long term adoption.*** Some stages may be more pertinent to some consumers, for instance when consumers need the facility badly, they may opt for the maximum credit limit and an extensive installment plan right from the start (Roger & Shoemaker, 1971 in Sathye, 1999:325).

2.3.1.1 Awareness

Consumers are made aware of the availability of products through marketing initiatives that also explain how a product adds value relative to those of competitors. Marketers can never assume that products will sell themselves. Store cards therefore have to be advertised and promoted regularly to ensure that consumers who do not possess the facility yet or who are still uncertain whether they should succumb, become curious and interested (Sathye, 1999:325; Schiffman & Kanuk, 2000:425).

2.3.1.2 Interest

A consumer who has become aware of store cards, first engages in an information search. Information search is a process whereby the environment is investigated for appropriate data to facilitate a reasonable decision. Consumers first engage in an internal search by "scanning" their memories for information (experience/ knowledge) about the particular product, in this case the store card. When this is insufficient to guide an adequate decision, our knowledge may be supplemented by conducting external search for information, which may be obtained from different sources such as (i) personal sources (family, friends, and neighbours); (ii) marketing sources (advertisements, web sites, sales persons and dealers); (iii) public sources (mass media and consumer organizations) (Internet: Analyzing consumer markets, 2005:99). The systems perspective postulates that a *hierarchy* is evident, i.e. some of these information sources will be more influential than others (Spears & Gregoire, 2003:4-5; Clark & Goldsmith, 2005:34-36). Consumers may obtain fairly extensive information about store cards from marketing sources such as sales assistants, advertisements and brochures which are normally designed to persuade consumers that a store card is a source of revenue that can best meet their consumption problems (Portrait Report, 2004:5-6).

2.3.1.3 Evaluation of specific pros and cons of store cards

When consumers are uncertain whether a new product such as a store card should be adopted, the cost and benefits of the alternatives (various payment systems) are weighed. There is a constant state of evaluation even after a product has been adopted (Zywicki, 1996:12-14; Hirschman, 2001:59). This involves considering, evaluating and choosing between alternatives, thus a *transformation* of needs into a decision (Zywicki, 1996:7). Within the systems approach, it is assumed that consumers would prioritize attributes/influencing factors and counter balance the pros and cons to come to a conclusion (*outcome*) of whether to adopt or reject the product (Spears & Gregoire, 2003:4-5). Consumers generally choose products because of their ultimate benefits, which will at least confirm certain basic requirements/expectations (Zywicki, 1996:7). With regard to different payment mechanisms, consumers have an array of payment mechanisms to choose from, each with diverse and unique attributes that present consumers with a true challenge of making a rational choice (Hirschman, 2001:59; Soman, 2001:460). Specific attributes of store cards may be boosted to proclaim a competitive advantage over other payment options. Consumers' satisfaction with store cards as a utility may be derived from different factors for different consumer types *(equifinality)* depending on a complex interaction of personal attributes and –expectations and consumers' eventual evaluation of the facility (Spears & Gregoire, 2003:4-3).

Convenience of store cards Especially consumers in higher income groups use store cards as an easy and convenient mode of payment whereby all purchases are paid in full at the end of the month (Chien & Devaney, 2001:163). In this case, store cards allow them the freedom of not having to carrying cash around with them every time they go shopping and reduces the discomfort of opening wallets and counting cash in full view of other customers in the queue (Portrait Report, 2004:4-6). Consumers in higher income groups may regard this highly important during consideration of the facility. For many, time and effort is saved because one does not have to go to the bank first to withdraw money before you go shopping (Zywicki, 1996:17). Store cards are safe to use for both retailers and customers because the transaction is done electronically. Most retailers find it too risky to accept personal cheques because of frustration involved to clear transactions with the bank first (Zywicki, 1996:17).

Financial implications of owning a store card Low and middle income consumers may favour the opportunity to extend their credit facilities through store cards that allows interest free payments over an extended period of time. This provides financial flexibility and the opportunity to afford a better lifestyle, which may be even beyond their income (Davis, 2005:2; Mwendo, 2007:1). Many consumers apply for store cards mainly because of financial constraints and because of an opportunity to purchase more items at a time and to distribute payments by an installment plan. These benefits are said to reduce anxiety about lack of money (Portrait Report, 2004:6). Many consumers in lower income groups therefore benefit from operating a revolving credit account (Garcia, 1980:329). The rising cost of living due to inflation makes it very difficult for consumers with limited income to cope otherwise (Griffiths, 2000:23; Lown, 2005:401). Store cards are particularly useful to pay for merchandise in case of emergencies situations such as funerals or when one needs suitable clothes for a new job (Fianu *et al*, 1998:106; Portrait Report, 2004:6). In a study by Fianu *et al* (1998) respondents indicated their appreciation for the opportunity to take ownership of clothes even when they have not finished paying for them (Fianu *et al*, 1998:106-107; Portrait Report, 2004:4). Apart from the advantage of interest free payments, no transaction-costs are involved when store cards are used.

Accessibility of store cards In the past, access to credit was restricted to credit worthy consumers based on income levels. This has since changed. Retailers and financial institutions now offer credit facilities to a wide range of consumers in the society that may even include unemployed, retirees, college students and the poorest consumers in the society (Evans & Schmalensee, 2005:287-288). Even though some of these groups have little creditworthiness, credit issuers continue to extend credit facilities to them through a process that is better known as *democratization of credit*. The democratization of credit is attracting more and more consumers to turn to high interest credit to maintain lifestyles and to make ends meet (Griffiths, 2000:23; Lown,

2005:402). The accessibility or availability of credit to consumers across the broad socio-economic spectrum has contributed to the propensity of consumers to adopt the credit facilities that are associated with store cards (Lee & Nan Kwon, 2002:240). This has led to an inexorable rise in credit card use at point of sale (POS) and has had a major influence on consumers' buyer behaviour in recent years (Durkin, 2002:202; Johnson, 2005:473; Worthington, 2001:490). The "buy now pay later" culture has become a socially acceptable phenomenon (Evans & Schmalensee, 2005:48-51) and many consumers now view credit as a highly acceptable, permanent condition instead of a repayable finite concept. This unfortunately provides fertile ground for increased levels of debt and bankruptcy (Lown, 2005:402, 411). Shallat (2006:16) refers to consumers' juggling of funds between different accounts in an effort to cope with financial burden, as "bank gymnastics".

A new credit act has been approved to be introduced in the Republic of South Africa shortly that will protect consumers against exploitation and will curb irrational credit use. Retailers that automatically increase credit limits and who do not do proper screening of potential clients prior to the approval of store cards (or any other form of credit) will thus be held responsible for the credit that is accumulated. As is the case in European countries and the USA, this does however not apply in Botswana yet. .

Additional benefits associated with store cards Owners of store cards enjoy additional benefits that may appear more rewarding than the credit facility itself, e.g. special discounts, promotional vouchers and club membership that even grant insurance cover and legal representation (Zywicki, 1996:13; Benavent *et al*, 2004:1-5; Johnson, 2005:480; Gilliland, 2007:1). Because store card owners are respected as regular clients, they may have transactions reversed when they wish to return goods (Hirschman, 1985:542). Obtaining a store card consequently makes perfect sense and according to Chakravorti (2003:1-4), non-owners may even get the idea that they loose out when they pay cash.

Limited choice The decision to adopt a store credit card may however also be limiting. A consumer who adopts a specific store card in actual fact may become restricted to that specific store because the consumer has maximized affordable payment on that facility (Benavent *et al,* 2004:5; Honey, 2007:1). *Other limitations* also come into play (Spears & Gregoire, 2003:4-3): a consumer will also be restricted to merchandise from certain stores only and may experience some form of captivation by the store simply because his budget for clothing is already allocated to that store for the next six or twelve months in advance and unless that particular revolving credit system is used, the consumer cannot make a purchase elsewhere (Benavent *et al,* 2004:5; Honey, 2007:1). This consumer is also automatically restricted to certain brands, specific quality ranges etcetera. A consumer who over extends a store credit facility may eventually be limited to the extent

that he/she hardly ever patronizes retailers other than the one that provides the credit facility. Within the systems perspective this is typical of a closed system because of the restrictive nature of the facilty (Benavent *et al*, 2004:4-5; Honey, 2007:1). The fact that the Edcon group allows customers to patronize several stores using the same card has to a certain extent, come to the rescue of their customers.

2.4 POST ADOPTION EVALUATION OF STORE CARDS

The *outcome* of a consumer decision does not end after a choice or a purchase has been made. Consumers tend to engage in a constant process of evaluation of the commodity (store cards), thus post purchase/adoption evaluation (Hoyer & Mac Innis, 1997:274). During post purchase evaluation, consumers compare their expectations to perceived reality and experiences. This culminates as a dis/confirmation of expectations and consequent dis/satisfaction. If the chosen product performance meets the expectations of the consumer, expectations are confirmed and a store card holder is satisfied. If the performance exceeds the expectations, positive disconfirmation occurs which heightens satisfaction to the extent that a store cardholder becomes delighted and excited (Schiffman & Kanuk, 2000:457). On the contrary, if the performance of the commodity is below initial expectations, negative disconfirmation, i.e. dissatisfaction occurs. Consumers may still be dissatisfied if a product only performs as expected because of an anticipation of extra benefits. Retailers thus have a constant struggle to surprise customers beyond their expectations (Schiffman & Kanuk, 2000:457).

A strong link has been found between customer satisfaction and customer loyalty. A customer who is satisfied is more likely to continue using the product and even remains loyal to that brand name or that store, and may further tell more people about the desirability of that product. On the other hand, dissatisfied customers are more likely to abandon the product and tell more people about its undesirability (Schiffman & Kanuk, 2000:457). It should be borne in mind that some people might go on using the product even when they are not satisfied with it. Some dissatisfied customers may continue using store cards even when even some attributes do not meet their initial expectations, mainly because they may feel that they cannot to go without the credit facility or simply due to a lack of alternatives (e.g. a customer who does not qualify for a bank credit card) (Szmigin & Bourne, 1998:4).

Extant literature suggests that the use of store cards can lead to overspending and impulsive buying that may result into life long debt. People continue to use credit regardless of these consequences but may blame the facility rather than to accept personal responsibility for irresponsible buyer behaviour (Chien & Devaney, 2001:163).

2.5 STRATEGIES TO INCREASE CONSUMERS' SATISFACTION WITH STORE CARDS AND TO RETAIN CUSTOMERS

Clothing retailers just like food retailers offer a variety of goods and services simultaneously and hence they find themselves having to operate in an increasingly competitive market while at the same time having to maximize their profits and market share. In these competitive markets whereby customers have a wider option of stores to buy from, attracting and retaining customers may prove to be the most difficult thing to do. As a result most clothing departmental stores have devised strategies to attract customers and to retain them as well. These strategies are important to differentiate a store's products and services from competitors (Szmigin & Bourne, 1986:6; Magi, 2003:99).

Edgars Consolidated stores use store cards as a means to facilitate sales and to ensure customer loyalty. The most important marketing strategy is that they are operating revolving credit accounts given with store cards so as to attract and retain more customers and hence enlarge their customer base. The store cards are issued to consumers ranging from low income to middle and high-income groups. Most of their low-income groups shop at stores such as Jet and Jet mart that are the discount outlets in the Edcon group. These discount stores do not only offer store cards to their customers but they do offer merchandise at low prices, hence attracting more customers of the low-income group. In issuing store cards they endeavor to provide satisfaction to their customers and hence encouraging repeat purchase and customer loyalty Internet (Edcon Annual Report, 2005).

The other marketing effort used by Edcon group entails that store card holders can buy at any one of the Edcon stores with that card, for example, one can buy at Edgars, Jet, Jet mart, CNA, Boardmans, Legit. These stores target consumers from different socio economic levels and automatically provide a "passport" to consumers to shop across the broad spectrum (Edcon Annual Report, 2005). This differentiates Edcon from some of the other competitors such as Woolworths. Some of these competitors do not even offer store cards e.g. Pep stores.

2.6 POTENTIAL NEGATIVE OUTCOMES OF CREDIT CARD OWNERSHIP

2.6.1 Over spending

Ownership of store cards apparently encourages extravagant life styles. Hirschman (2001:64) reports that possession of store cards appears to be positively related to high levels of in store purchase and expenditure. The same study reports that consumers who possess either a store card or a bank credit card makes larger dollar purchases in a departmental store and that their average purchases are higher compared to customers who pay cash or use cheques (Hirschman, 2001:64). Consumers tend to evaluate the price of the product more seriously when they pay cash. When credit cards are used, consumers mostly attend to affordability in terms of the credit limit instead of the actual price of the product. This lack of price sensitiveness coupled with cashless payment can lead to people to overspending (Mwendo, 2007:1).

2.6.2 Impulsive buying

It has been established in the past that the potential outcomes of using credit cards such as store cards includes impulsive discretionary spending and excessive debt accumulation (Evans & Schmalensee, 2005:48). This is primarily due to the fact that credit cards eliminate the need of cash to cover the current expenditure, thereby increasing consumers' buying power. This allows a consumer to purchase goods at a convenient time without having to worry about the money (Soman, 2001:461; Portrait Report, 2004:5). Acquisition or ownership of credit cards is more likely to lead to purchases that are made out of compulsion or temptations because no cash is involved at the time. On the other hand, when payment methods such as cash, cheques are used for purchasing, consumers have to contemplate the purchase, for example, whether they have adequate funds to pay for the goods: in which case the degree of temptation is reduced (Soman, 2001:460). Credit cards in any form are very tempting and can lead to irrational buying (Evans & Schmalensee, 2005:48).

2.6.3 Limited sensitivity to quality and price

Store cardholders of a particular store are more likely to prefer shopping in that store than in any other store even if the advantages are not substantiated (Benavent *et al*, 2001:2). Furthermore, consumers are also more likely to frequent and increase their visits to that particular store even if the prices are higher than those of competitors. This is so because ownership of a store card to a certain extent discourages comparative shopping and price sensitiveness. Decreased sensitiveness to price is due to the fact that by patronizing a

particular store, one does not compare their merchandise to those at other stores and naturally becomes less sensitive to price and quality differences. Unfortunately lack of price sensitiveness encourages irrational buyer behaviour: consumers will then more likely fill their shopping baskets with expensive goods without giving alternatives much consideration (Benavent *et al*, 2001:5).

2.7 SUMMARY

This chapter outlined literature that relates to store cards as a commodity that has increased in popularity in recent years but that has also created specific problems in the market place. It reveals a drastic increase in the adoption and use of credit cards in recent years. This can be attributed to fierce competition among retailers and credit issuers to attract and retain as many customers as they possible. This has resulted in the extension of credit facilities to consumers with limited potential to honour payments. Retailers and credit issuers use aggressive marketing strategies such as offering incentives and additional benefits to attract new customers. Some even offer excessively high credit limits, which may lead to consumers spending beyond their means.

Other reasons that may encourage the adoption and use of store cards include a wider availability of stores and a simultaneous greater availability of merchandise. This increases consumers' admiration of goods and a cultural transformation towards a more materialistic society where people quenches to purchase and own an abundance of goods even if they cannot afford to pay whatever is required to maintain their lifestyle. Credit facilities, also store cards have thus become a lucrative solution. The ancillary benefits that are associated with store card ownership and which differentiates store cards from e.g. bank credit cards as well as the fact that no annual fees and no transaction fees are added, can not be ignored in terms of its increased popularity (Zywicki, 1996:12-13).

Even though store cards seem lucrative, the use of store cards also has some negative implications - especially if they are not wisely used. There is substantial evidence to suggest that consumers who use store cards are more likely to overspend when compared to those who use cash (Soman, 2001:461). Store cards apparently also encourage irrational shopping such as impulsive purchases. This cashless form of payment increases a consumer's purchasing power, which can lead to consumers buying goods out of compulsion and temptation (Soman, 2001:401).

A conceptual framework that includes all the concepts pertaining to this research is illustrated within the systems perspective in Figure 2.1.

2.8 CONCEPTUAL FRAMEWORK

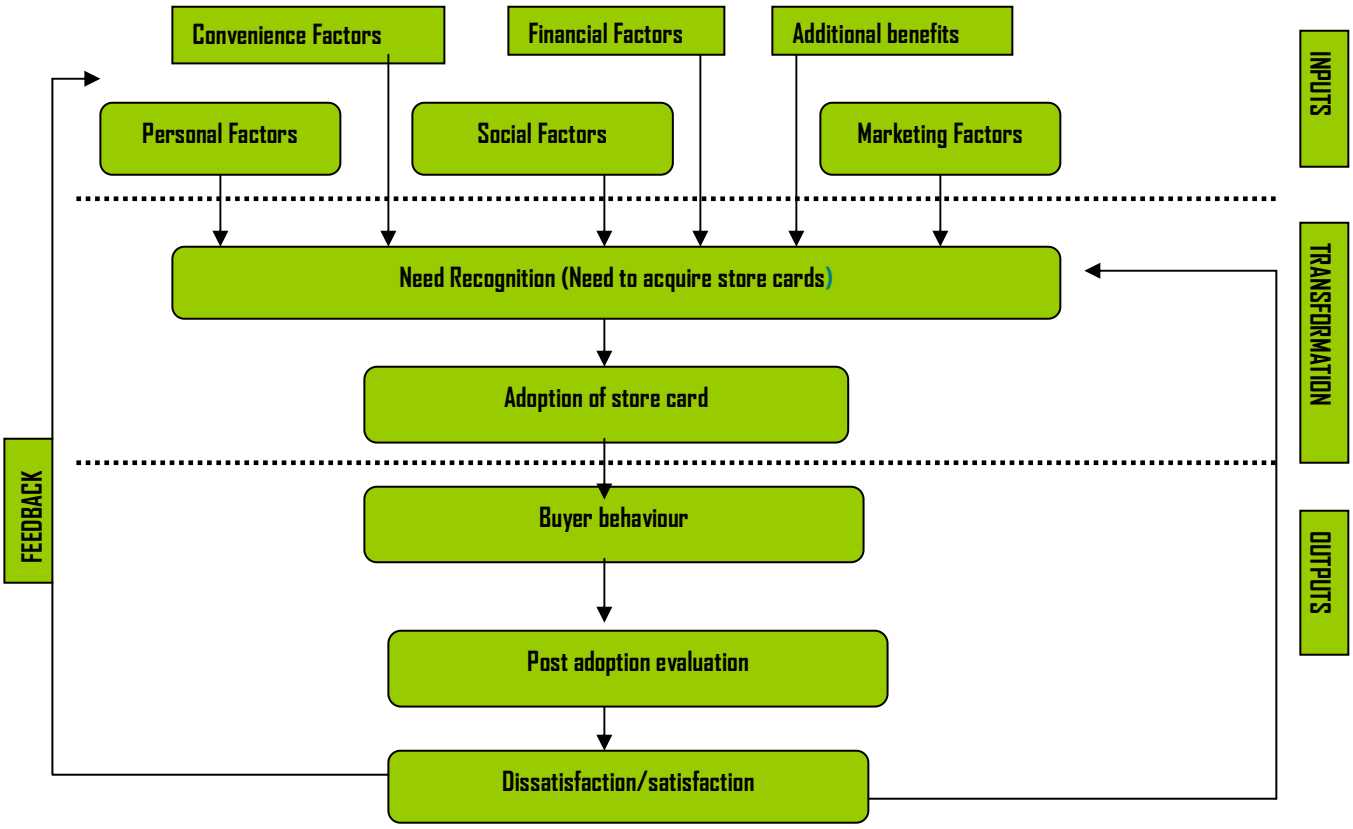

FIGURE 2.1: CONCEPTUAL FRAMEWORK THAT ILLUSTRATES THE TRANSFORMATION OF INFLUENCING FACTORS IN TERMS OF A DECISION TO ADOPT A STORE CARD AS WELL AS THE POST ADOPTION EVALUATION OF THE FACILITY

2.9 RESEARCH OBJECTIVE AND SUB OBJECTIVES

The following research objective and sub objectives are posed for this research:

2.9.1 Research objective

With reference to store cardholders of Edcon Consolidated Stores in Botswana, the objective is to explore and describe consumers' propensity to adopt store cards, their shopping behaviour as well as their eventual satisfaction with store cards and related facilities over time.

2.9.2 Sub objectives

With specific reference to existing owners of Edcon store cards in Botswana:

- To identify and describe the most important reasons for their adoption of store cards.
- To provide an exposition of the effect of store cards on consumers' shopping behavior with specific reference to:
  - Patronage of adjoining channels
  - Frequency of use, i.e. the effect on shopping behaviour
  - Control of personal credit limits
  - Use of supplementary services that are offered to card users
- To describe store card owners' satisfaction with the facility after prolonged use.

These sub objectives guided the design and methodology that was chosen for the research as described in chapter 3.

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

This chapter outlines the specific research questions arising from the research problem. It provides the methods and procedures followed in the investigation of the research problem. The design, population of the study, sampling procedure, instrumentation and data collection and analysis are described. An overview of ethical measures is provided.

3.1 RESEARCH QUESTIONS

The following research questions are used to structure the research:

- What factors are considered influential/more important by Edcon customers in terms of a decision to opt for a store card rather than other methods of payment?
- How does ownership of a store card influence the cardholder's shopping behaviour in respect of (i) patronage of adjoining channels; (ii) shopping behaviour and frequency of use of the store card; (iii) control of credit limits and management of monthly installments, and (iv) the use of additional/supplementary services that are associated with store cards?
- How satisfied are store cardholders with the facility?
- Is there a significant relationship between consumers' utilization of store cards (shopping behaviour) and their satisfaction with store cards after prolonged use?

3.2 RESEARCH STRATEGY

Research needs to have a clearly defined strategy for it to have theoretical worth (Brown & Schulze 2001:7). The research strategy guides/dictates how the research is executed and identifies the philosophical and ontological assumptions of the research. Before choosing a research approach for this investigation, a range of alternative research philosophies were considered.

Two broad research philosophies prevail, namely: positivism (quantitative) and interpretivism (qualitative) research. A combination of these philosophies has provided a third paradigm, called emancipatory (mixed)

research (Polit & Hungler, 1997:459). Saunders *et al* (2003:340-350) provide a comprehensive framework of the research paradigms. This research was considered predominantly positivistic with limited elements of interpretive paradigm in the form of open questions which categorizes it as an emancipatory approach.

Positivistic research strives to discover laws that are generalisable. It is informed mainly by realism, idealism, and critical realism. Within this paradigm precise, measurable and verifiable observations are taken for the truth (Saunders, Lewis & Thornhill, 2003:275). Research designs in positivism approach are usually quantitative, correlational, experimental, and causal comparative. Techniques in data gathering (i.e. the tools) can be questionnaires, observations, tests, and experiments or a combination thereof (Polit & Hungler, 1997:459).

The interpretive research paradigm strives to understand and describe human nature. It is underpinned by heuristic and phenomenological ideologies. In this paradigm, knowledge is subjective and ideographic because what counts as truth is context dependent. Multiple realities may thus be constructed. Research designs or strategies in the interpretive approach are usually qualitative, phenomenological, case-studies, ethnographic and naturalistic (Polit & Hungler, 1997:459). Thus, data gathering is achieved through interviews, participant observation, diaries, pictures and documents or a combination thereof.

The emancipatory approach is developed from a combination of the positivism (quantitative)/ interpretative (qualitative) paradigms and follows a mixed philosophical approach. Within this paradigm, aspects of both the quantitative and qualitative techniques are applied in phases (De Vos, 1998:37-38).

3.3 RESEARCH DESIGN

Since this research is exploratory, the most suitable design to solicit the data is a quantitative research design (De Vos, 1998:37-38). It allows the researcher to obtain quantifiable data within a short time. A questionnaire survey design was adopted for this quantitative investigation. The research was designed to be exploratory and descriptive in nature. Due to specific limitations in terms of resources, time and the required format of the research project for degree purposes (an essay), the project was considered exploratory in terms of the design of a more extensive follow-up at a later stage. There is no intention to generalise the findings (Steyn & Van Wyk, 1999:37-39).

A survey approach was adopted over other methods, such as telephone interviews or mail surveys because of the length and the complexity of the questionnaire. A telephone interview would have been more expensive

and inadequate in terms of the time required to cover all the questions. A mail survey, on the other hand, is time consuming and expensive in terms of postage and duplication to compensate for questionnaires that are not recovered in time: mail surveys do not necessarily have satisfactory response rates. In addition, retailers are hesitant to violate business-customer confidentiality will thus not provide customers' contact details. The ethics committee of the University of Pretoria is very strict about confidentiality and does not approve of any practices that might contravene the privacy of respondents.

Considering the alternatives, an open survey was used. It allowed the researcher to reach potential respondents and to persuade them to participate voluntarily. It also enabled control of the sample in terms of the pre requisites for participation as well as maximum cooperation from the respondents (Chan, 1997:118).

In terms of the qualitative part of the research, open questions were included in the questionnaire to elicit specific thought and to provide an opportunity for free expression of experiences and thought to pre formulated research questions.

3.4 RESEARCH METHODOLOGY

3.4.1 Study population

The population of this study was all store card owners of Edcon Consolidated Stores, specifically those of Edgars and Jet, in Francis town and Gaborone areas in Botswana. These two stores attract a large cross section of income groups with diverse demographics and behavioral characteristics. Edgars generally target middle to high-income consumers, whereas Jet focuses on mainly low-income groups (Edcon Annual Report, 2005). As of November 2006, a total of 249 450 store cardholders were registered in the combined stores in Botswana (Edcon Annual Report, 2005).

3.4.2 Sample and sampling

The sample was drawn conveniently by the researcher. Convenient sampling is a non-probability sampling method and was chosen due to time and financial limitations. After a discussion with the statistician, the sample size was limited to 100, which seemed appropriate due to the explorative nature of the research.

3.4.3 Sampling procedure

Cluett and Bluff's (2000:56) key guiding principle was adopted to recruit the convenient sample for voluntary participation. All participants were required to be information rich and were thus expected to have personal experience with store cards as a phenomenon. In this study, information rich suggested a pre condition of a minimum of six months of experience of store card ownership and store card use to enable valid responses to the main questions of this research.

3.4.4 Access to participants and research sites

The researcher used a store-cashier at each of the stores to act as a *gatekeeper* (Cormack, 2000:78). Prior to this however, letters were written to the store managers to inform them of the research and to solicit their cooperation (see Appendix A). Gatekeepers were fully informed about the objectives of the research and were vital to protect the respondents from the researcher, i.e. to prevent a violation of confidentiality (Lee 2005:458). In this research the gatekeepers also helped to remove prospective obstacles that would inhibit the investigation, for example intimidation by non-participants.

3.5 DATA COLLECTION

3.5.1 Data collection instrument

The main data collection instrument was a questionnaire (see Appendix B). The questionnaire was developed in the English language because it was anticipated that the customers would be able to communicate in this language since it is the official language of the country. The questionnaire was also developed by the researcher based on the extant literature on consumer store card use and shopping behaviours. The questionnaire consisted of five sections and contained both close and open ended questions.

The questionnaire was organized in terms of the following sections:

Section A solicited demographic data of the respondents, i.e. the respondents' age, gender, place of residence, number of store cards, years of owning store cards. Shopping behaviour and payment procedures were included in this section.

Section B tried to establish most important reasons for the adoption of store cards. The twelve denominators were derived from literature.

Section C tried to establish cardholders' satisfaction with store cards. Fifteen measures that represented specific elements of store card ownership were identified through extant literature. These were scored using a Likert scale format.

Section D questions were also scored using a Likert scale format and enquired about the effect of store cards on shopping behavior.

Section E was devoted to the open ended questions that pertained to cardholders' satisfaction/dissatisfaction with store cards and recommendations for prospective store cardholders.

3.5.2 Pilot-testing

The questionnaire was pre-tested on five senior post graduate students who owned Edgars store cards to cheque the validity and reliability of the instrument. Specific validity measures were applied: the research supervisor -a specialist in the field of consumer bahaviour - evaluated the questionnaire first to cheque the face validity (i.e. whether the instrument appears a suitable measure of the aspects being measured). Other aspects of validity such as the length of the questionnaire, ease of completion of questions, understandability of the language in terms of the concepts used and structure of sentences were also chequeed. Issues that emerged out of the pilot testing were mostly related to the wording of questions: these were attended to before the final version of the questionnaire was printed.

3.5.3 Data collection procedure

The researcher administered the data collection instrument personally. To realize the sample, the researcher visited the two stores of the Edcon Consolidated group, namely Edgars and Jet in Francistown and Gaborone respectively. Customers were referred by the gatekeeper and were approached upon their exit of the stores through personal conversation to verify voluntary participation and to confirm the pre conditions for participation. Willing volunteers, irrespective of gender were handed the questionnaires and respondents were requested to complete the questionnaires on the spot. The researcher supervised (in interview format) and assisted those respondents who were not familiar with the questionnaires. The researcher withheld additional supportive information and refrained from interfering with informal social chatting to prevent any disturbances during the completion of the questionnaires. The study was done during month end of June 2006 when many consumers were out doing shopping and paying bills. The process was repeated until 100 questionnaires were successfully completed.

3.6 DATA ANALYSIS

The researcher numerically coded the data for statistical analysis. The data was statistically analyzed using SPSS software and Microsoft Excel (spread sheet). Various computations such as frequencies, percentages, means and correlations using the Fisher Exact Test were performed. Descriptive statistics were used to illustrate and describe predominant reasons for the adoption of store cards; cardholders' satisfaction with store cards as well as their shopping behaviour while inferential statistics were used to perform certain correlations.

3.7 QUALITY OF THE STUDY

The following measures were taken to ensure that the quality of the study is not jeopardized.

3.7.1 Theoretical validity

Literature was extensively reviewed to ensure clarification and identification of concepts relating to credit facilities, buyer behaviour and consumer satisfaction. Several variables were added into the questionnaire to check participants' responses and to increase validity, for example certain questions were also covered in open-ended questions to increase validity of responses. The questionnaire was pre tested in a smaller population to check its reliability (Babbie & Mouton, 2001:122-123). The questionnaire as checked by the supervisor and a professional statistician to ensure that questions were relevant and covered all the objectives, also to ensure that wording and the concepts that were used, were appropriate.

3.7.2 Construct validity

Construct validity refers to the logical relationships among variables (Babbie & Mouton, 2001:122-123). Theory was scrutinized to ensure that concepts that were used and associations that were made were true to existing theory.

3.7.3 Representativeness

Although the sample was relatively small and the scope of the research was limited, respondents were recruited at two different stores in the Edcon group in an effort to recruit a sample that represented consumers from across the broad socio-economic spectrum. The two cities were also chosen mainly because both have heterogeneous population with a diverse socio-economic population. The sample would therefore give much credence to the data required.

3.8 ETHICAL CONSIDERATIONS

3.8.1 Informed consent

De Vos (1998:25-26) postulates that informed consent relates to the accurate communication of all possible information that relates to the research project. The participants of this research were adults, who had the capacity to give informed consent, directly. The researcher informed respondents about the overall objectives for the research, data collection procedures as well as potential dates. Store managers' approval to do the survey in front of their stores, were obtained through a personal visit as well as a follow-up letter.

3.8.2 Voluntary participation

Participation in this study was strictly voluntary. Participants had the freedom to withdraw any time without an explanation. This was explained to them before they agreed to participate.

3.8.3 Anonymity and confidentiality

Strict anonymity and confidentiality of the identities of respondents was maintained throughout the data collection procedure. in this study, even if findings are to be published in future (Coetzee in Moll, 2000:1-2). This was communicated to participants formally. To achieve this, the names and addresses of data sources were not recorded, and every attempt was made to group the data collected so that personal characteristics or traceable details of the participants were not possible (Robinson in Strydom, 1998:28).

3.9 SUMMARY

The ways in which the research questions were investigated have been presented and discussed in this chapter. The statistical techniques for analyzing the quantitative and qualitative data respectively have also mentioned. In the next chapter, the results of the empirical investigation are presented and discussed.

CHAPTER 4

RESULTS

This chapter presents and discusses the results in accordance with the research questions outlined in chapter 3. After a brief description of the demographic data of the respondent, the following research questions are addressed:

(i) What factors are considered influential/more important by Edcon customers in terms of a decision to opt for a store card rather than other methods of payment?

(ii) How does ownership of a store card influence the cardholder's shopping behaviour in respect of patronage of adjoining channels; shopping behaviour and frequency of use of the store card; control of credit limits and management of monthly installments, and the use of additional/supplementary services that are associated with store cards?

(iii) Is there a significant relationship between consumers' utilization of store cards (shopping behaviour) and their satisfaction with store cards after prolonged use?

4.1 DEMOGRAPHIC DATA

The survey was carried out amongst a sample of 100 participants: 62 % were Jet store customers and 38 % were Edgars store customers. Table 4.1 provides the demographic characteristics of the respondents

TABLE 4.1 DEMOGRAPHIC PROFILE OF SAMPLE (N=100)

Variables		Responses: Frequency	Responses: %
Gender	Male	29	29.0
	Female	**71**	**71.0**
Store cards owned	Edgars	38	38.0
	Jet	**62**	**62.0**
Age group	20 – 29 years	36	36.0
	30 - 39 years	**43**	**43.0**
	40 - 49 years	17	17.0
	50 – 53 years	4	4.0
Geographic location of store	**Francistown**	**56**	**56.0**
	Gaborone	44	44.0

Bolded figures indicates majority

4.1.1 Gender

The majority (71%) of respondents was female (see Table 4.1). Although the sample was not systematically drawn, the prominence of female store cardholders in the sample is unsurprising because women are generally perceived to be more involved in clothing purchases for the family. The traditional role of a woman as home maker and purchasing agent for the family may be a major reason why women (rather than men) establish credit facilities with retailers and acquire store cards that can be used to buy goods for their family (Hirschman, 2001:64). Women are apparently still more fashion conscious than men, which increases the likelihood that a store card as a form of credit will be adopted to keep abreast with the latest fashion (Fianu *et al*, 1998:105). It has also been reported that women are also more likely to possess and use store cards, opposed to men who are more likely to posses and use bank credit cards (Hirschman, 2001:64).

4.1.2 Age distribution

Table 4.1 shows that the majority of respondents (79%) were younger than 40 years. This age group forms part of the active working force that is more likely to be employed and to be financially eligible to qualify for store cards (Fianu *et al*, 1998:105). The smaller percentage of older respondents concurs with the conventional belief that the older generation is less receptive to credit cards, is more resistant to the credit *per se* and is hence less likely to possess any form of credit cards (Chan, 1997:120).

4.2 STORE CARD OWNERSHIP AND PAYMENT STATUS

4.2.1 Duration of store card ownership

Figure 4.1 illustrates that the largest percentage of respondents owned their store cards for three years or less (48.5%) and that less than ten percent owned theirs for ten years or more.

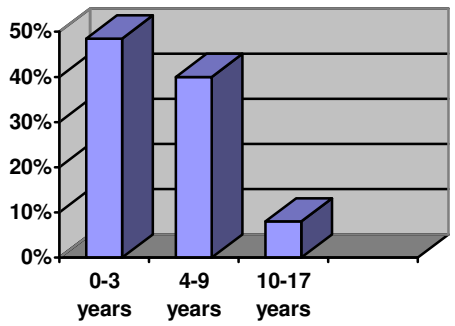

FIGURE 4.1: DURATION OF STORE CARD OWNERSHIP (n=100)

The relative short ownership periods was expected because large shopping malls that from where major retail stores such as Jet and Edgars operate, have only emerged in Botswana in recent years. Sophisticated retail facilities such as store cards were thus introduced much later than in countries such as the Republic of South Africa and elsewhere in the world.

4.2.2 Payment method used for store card accounts

Only 19% of the respondents used the interest free credit option with a distribution of payments over six months; 50% opted for the more expensive route to pay over twelve months despite additional interest. The rest indicated that they tried to settle the balance at the end of the month (6%) or as soon as possible (12%). Figure 4.2 indicates how installments of store cards are paid.

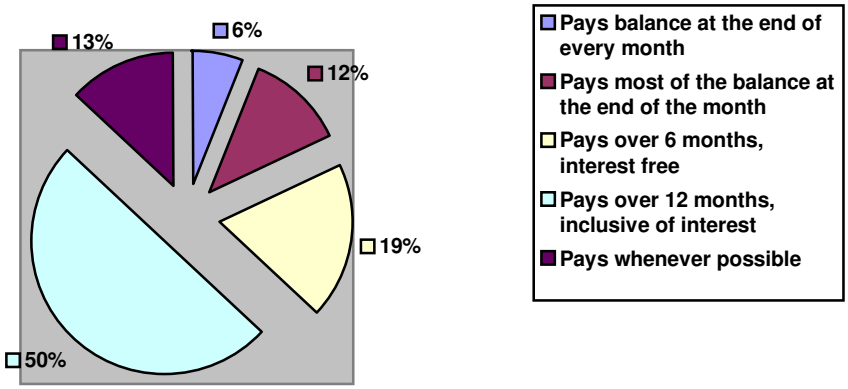

FIGURE 4.2: PAYMENT METHOD USED FOR STORE CARD ACCOUNTS

Most of the respondents indicated that they made use of the revolving credit facility that is offered. The majority opted for the extensive payment period over twelve months that includes interest, although it defeats one of the major advantages of a store card account. At this point it became clear that store cardholders tend to overspend and therefore they convert their accounts to revolving accounts over twelve months that include interest. The influence of store cards on cardholders' shopping behaviour is discussed later (Zhu & Meeks, 1994:404).

4.2.5 Installment status of respondents

Table 4.2 depicts the installment status of respondents as well as the reasons for any changes in installment status that might have occurred during the preceding year.

TABLE 4.2: INSTALLMENT STATUS OF RESPONDENTS DURING THE PREVIOUS YEAR AND REASONS FOR CHANGE (N=100**)**

Variables	% Distribution	Reasons for changes	% Distribution
Installment increased	42%	• Impulse buying • Poor planning • Improved financial situation	**52.4%** 23.8% 23.8%
Installment decreased	16%	• Better control over purchases • Financial situation necessitated it • Ultimately wanted to stop using the card • Missing responses	31.3% 37.5% 25.0% 6.2%
Installments remained the same	42%		

Bolded figures indicate the majority

An equal percentage (42%) of respondents reported an *increase in their installment status* or indicated that their *installments remained the same*. Of the 42% whose installments increased, only 23.8% confirmed that it could be afforded due to increase in income. Only 16% reported *a decrease in their installments* during the previous year and 37.5% of this group indicated that this was necessary because their financial situation required them to reduce commitments. The results confirm that irresponsible use of store cards (poor planning and impulsive shopping behaviour) can lead to financial constraints. This supports previous research that indicated that store cards stimulate spending and tend to make consumers more gullible (Hirschman, 2001:64).

4.2.4 Credit status of respondents

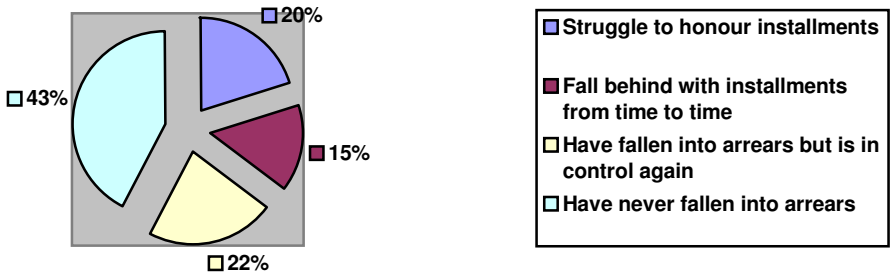

FIGURE 4.3: CREDIT STATUS OF RESPONDENTS (N=99, MISSING: N=1)

The majority of the respondents (57%) indicated that they experienced some sort of problems regarding the payment of store card accounts: 20% admitted that they struggled to honour payments; 22% have apparently fallen into arrears with payment but regained control again while 15% indicated that they ran into arrears from time to time. It is not surprising that the majority of respondents find it difficult to cope with monthly payments, because as indicated in Figure 4.2, most of the respondents are heavy revolvers who use a 12-

month instalment credit option. This means that interest is charged, which makes it costly to use store cards. This extended payment option results in long lasting debt. It is possible that some cardholders may not have realised from the start that failure to pay instalments promptly would incur interest charges. It is therefore important that store cards are issued with great caution and that credit limits are monitored regularly (Zhu & Meeks, 2001:102).

4.2.5 Stores' communication with respondents

Respondents' experience with the communication with the store (store card issuer) is presented in Figure 4.4.

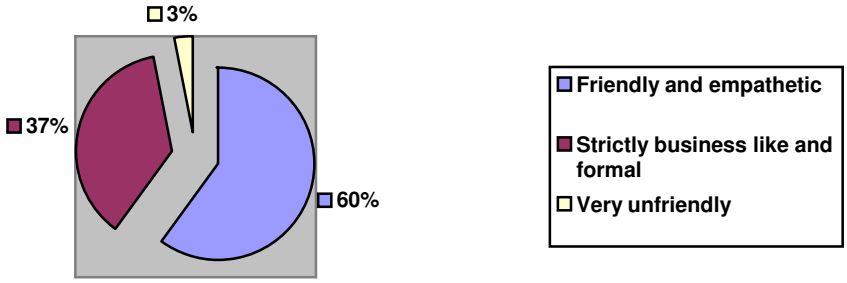

FIGURE 4.4: STORES' COMMUNICATION WITH RESPONDENTS

Despite problems that were mentioned in 4.2.6, the majority (60%) of respondents reported that the communication of the stores was generally friendly and empathetic. Some described the interaction as strictly businesslike and formal (37%) and a small minority 3% indicated unfriendly experiences. The interaction between cardholders and stores thus seem to be judged positively. An increasing number of retailers offer similar merchandise as well as store card facilities, which means that retailers are operating in a challenging and competitive environment. In order to attract and retain more customers they have to maximize their customer care. Improving customer care through better communication and correspondence may be one such strategy to put customers at ease so that they do not switch to other stores (Darian, Tucci & Wiman, 2001:205). This might be the major reason why store's sales personnel act friendly and empathetic towards customers.

4.3 RESEARCH QUESTIONS

4.3.1 Research question 1

What factors are considered influential/more important by Edcon customers in terms of a decision to opt for a store card rather than other methods of payment?

Respondents' reactions to the request to indicate how important specific factors were in terms of the decision to adopt a store card are presented in Table 4.3. Nobody added additional reasons to those listed despite the opportunity to do so. Eventual responses are presented in descending order of importance.

TABLE 4.3: IMPORTANCE OF ATTRIBUTES DURING THE ADOPTION OF STORE CARDS (N=100)

Reason for the adoption of a store card	% Sample		
	A lot	A little	Not at all
A facility to finance purchases in emergency/unexpected situations	**75**	19	6
Convenience, no need to carry cash in your purse	**66**	27	7
It is a secure/low risk method of payment	**57**	24	18
The need to have a credit facility	**50**	39	11
The ability to buy in bulk and to pay for purchases over time	38	36	26
Additional benefits such as legal assistance, insurance	19	29	**52**
Incentives such as special discounts, birthday vouchers	14	40	46
Persuasion of sales assistants	10	31	**59**
Advertisements	8	28	**64**
The card makes one feel special	6	26	**68**
Friends' recommendations	1	13	**86**

**** Bolded figures indicate more than 50% of the sample***

The systems perspective postulates (see 2.2.1.) that all factors (attributes of store cards) do not carry the same persuasive influence in terms of a decision to adopt a store card. It was thus expected that certain factors would be more prominent/more influential and even counteract others. The four most important factors that were indicated by respondents to have influenced them "a lot" to adopt store cards (Table 4.3), involve two categories namely financial benefits and convenience benefits.

Financial benefits such as *needing credit facility to use in emergency situations; the fact that store cards enables one to buy in bulk and pay over time* seemed most influential during respondents' decision to adopt store cards. This supports Chan's report (1997:126) that monetary incentives are highly regarded during the initial decision to adopt any credit card.

Convenience benefits such as *not having to carry cash around (66%)* and *store cards are a secure method of payment (57%)* were also indicated to be important. This concurs with existing literature that suggests that transactional advantages such as *security of not having to carry cash* around and *flexibility to pay in installments* positively contribute to the growth in the usage of store cards amongst consumers (Zywicki, 1996:21). Kaynak *et al* (1995:59) found that the majority of Turkish consumers appreciated attributes such as *availability of emergency funds through credit cards* and *shopping without paying cash immediately*. Similarly, Baker *et al (*1992:28) reported that *ease of payment* and *risk of carrying cash* were important factors to persuade consumers to adopt store cards.

Social-psychological influences such as *friends' recommendations* and the idea that owning a store card *makes one feel special* seemed less important factors: 86% of respondents indicated that friends did not influence them at all to adopt store cards and 68% of the respondents indicated that adopting store cards to make them feel special was not of any importance during their adoption of store cards.

Although additional benefits such as club membership, legal assistance and incentives such as special discount and birthday vouchers are boosted by clothing retailers to convince customers to adopt store cards in marketing campaigns, they were not highly regarded in terms of a decision to adopt store cards. Little recognition was also given to marketing related influences such as advertisements and the encouragement of sales personnel: only 8% of respondents indicated that advertisements influenced them a lot. Similarly only 10% indicated that sales assistants are particularly convincing.

These results suggest that financial and convenience benefits of store cards outweigh other factors in the decision to adopt store cards. Marketing and social factors appear to be of lesser importance to influence the adoption of store cards, but can however, not be neglected. In conjunction with the convenience of store cards, marketing factors and additional benefits these factors may conclude a final decision.

4.3.2 **Research question 2**

How does ownership of a store card influence the cardholder's shopping behaviour in respect of (i) patronage of adjoining channels; (ii) shopping behaviour and frequency of use of the store card; (iii) control of credit limits and management of monthly installments, and (iv) the use of additional/supplementary services that are associated with store cards?

4.3.2.1 Store cardholders' shopping behaviour

Respondents' reflection on the effect of store cards on their shopping behaviour (a summation of *strongly agree* and *agree*, *disagree* and *totally disagree* and *most likely*) is presented in Table 4.4.

TABLE 4.4: EFFECT OF STORE CARDS ON RESPONDENTS' SHOPPING BEHAVIOUR (N=100) *

Effect on shopping behaviour	Strongly agree & Agree %	Most likely %	Disagree & Totally disagree %
I tend to buy too easily	**61.0**	15.0	24.0
Do no longer compare quality, prices of other stores	**51.0**	17.0	32.0
I feel restricted to the store that issued the card	40.0	14.0	46.0
I purchase more than when I would have using cash	**65.0**	13.0	22.0
I buy unnecessary things	27.0	18.0	**55.0**
I am free to purchase whenever I want	**65.0**	19.0	16.0
I compare products to those at other stores and regret that I cannot buy there	47.0	12.0	41.0

Bolded figures indicate more than 50% of the sample

The majority of the respondents admitted that they buy too easily and buy more goods than they would if they paid cash (Table 4.4, bolded figures). Similarly the majority of respondents indicated that they do not compare the quality and or prices of goods with those at other stores when they go shopping. This is probably because they cannot afford to buy at other stores because their budgets are tied up for months in advance at the issuers of their store cards. This unfortunately discourages comparative shopping and enhances insensitivity towards price and quality differences as was reported in previous research of Siekiewiez (2001) and Benavent *et al* (2001:4) who reported that that the possession of store cards impairs the intelligent choice of consumer goods and services when buying goods because many store card owners eventually become restricted to buying at the store that provides the credit facility.

Although the majority of respondents admitted that they buy too easily with their store cards and tend to buy a lot with their cards, the majority indicated that these purchases were not unnecessary. This is a typical of rationalization, a defense mechanism (Schiffman & Kanuk, 200: 73) because consumers are usually hesitant to blame themselves anyway. It is also quite complicated to define "necessary purchases", fact of the matter is that when store cardholders admit that they buy too much and too frequently, they probably overspend in terms of what can be afforded.

An open-ended question allowed respondents to express their views on whether store cards could be commended or not. The intention was to probe the respondents on their experience with the use of store cards and how they felt about using them. The results (N=78) revealed that despite their dissatisfaction with certain attributes of store cards (particularly the additional benefits and incentives) and a "not so high" mean

satisfaction score, 60% of the respondents were still willing to recommend store cards compared to 40% who indicated that they would rather refrain from using it. Benavent *et al* (2001:4) reported that the possession and use of credit cards is positively correlated with the anticipation and actualization of further use: a credit card user therefore does not quit using it easily. Reasons presented for the continued use of store cards are depicted in Table 4.5 and reflect the result of spontaneous reactions without prompts. Both of the reasons that were very prominent refer to store card as a means of credit, thus financial advantages.

TABLE 4.5: REASONS WHY STORE CARDS ARE RECOMMENDED (N=78)[1]

Reasons	Frequency	%
Can buy goods any time and pay later*	39	**50.0**
Enables one to buy during emergency situations*	13	16.7
Helps me to purchase goods in bulk and pay for it later*	5	6.4
Helps me to purchase goods during special situations and pay for it over time*	5	6.4
Helps me to budget wisely, i.e. planning payments over time within my budget*	5	6.4
Security of not having to carry cash around**	4	5.1
Service is good*** and interest is reasonable*	3	3.9
Variety of Edcon stores offers a wide selection of merchandise ***	2	2.6
Availability in unexpected situations**	1	1.3
More advantages than disadvantages	1	1.3

: financial aspects; **convenience attributes; * communication with clients*

The reasons listed in Table 4.5 basically extend the findings in Table 4.4, which mostly reflect on financial and convenience attributes of store cards. Table 4.5 suggests that respondents appreciate the financial attributes of the store cards, i.e. that store cards offer revolving credit and that a store card is a useful credit facility during emergency situations. A small minority mentioned that *the use of store cards is a secure method of payment;* also that the *flexibility of using an Edcon store card at any of the affiliated stores* are positive attributes. Someone even indicated that store cards have more advantages than disadvantages. It can thus be concluded that the fact that store cards eliminate the immediate need for money to buy something, seems to be the major reason why respondents would still continue to use store cards.

Responses in Table 4.6 represent various why some of the would rather refrain from using store cards.

[1] [1] Some respondents indicated more than one reason. In total, 78 reasons were summarised. The responses in Table 4.6 refer to the contrary of Table 4.5. Once again, more than one reason was indicated by some of the respondents. A total of 138 reasons were identified by the 100 respondents.

TABLE 4.6: REASONS TO REFRAIN FROM ADOPTING A STORE CARD (N=55)[2]

Reasons	Frequency	%
Leads to overspending and impulse buying*	16	29.0
Increases my debts*	12	21.8
More is paid when you buy on credit rather than cash (interest involved)*	8	14.6
Buying cash is better because you will only buy when necessary**	5	9.0
Interest is too high*	5	9.0
I prefer using cash or lay buy, it is cheaper*	4	7.2
Makes budget difficult because I am always in debt*	3	5.5
You become addicted and over spend*	1	1.8
Limits your expenditure for other shops**	1	1.8

** Financial implications; ** Shopping behaviour, potential of over spending*

All of the reasons presented as motivation to refrain from using store cards, involve financial implications and the effect of store card use on shopping behaviour. Overspending and impulse buying were indicated by a larger number (29%) of respondents as major reasons that would make them stop using a store card. This was unsurprising because it was revealed earlier that 50% of the respondents used the 12 months installment plan, which means they incur interest in their balances. It was also revealed earlier that 42% of respondents (see Table 4.2) experienced an increase in their monthly installments due to impulse buying and poor financial planning. The findings support the literature which suggests that store cards may enhance irrational shopping behavior, impulse buying and hence increased debts. The findings indicate that impulse buying and overspending are almost inevitable when one owns a store card. It would therefore be important for consumer educators as well as credit issuers to educate consumers on proper management of credit facilities. Of even greater importance is that credit limits should not be increased without thorough investigation of a store cardholders' financial situation.

4.3.2.2 Store cardholders' control of credit limits

A major concern is that the majority (57%) of respondents admitted that they experienced difficulty to cope with monthly payments. The open-ended question where respondents were given the opportunity to give advice regarding management of monthly installments thus provided interesting insights. Cautions included (n=127):[3] *never to skip payments* (42.8%); *to exercise discipline when shopping* (18.4%); *to avoid overdue installments to curb interest* (11.4%); *not to overextend credit limit* (13%). These comments reveal respondents' personal experience with store cards. The majority had already confirmed earlier that their accounts have

[2] Some respondents indicated more than one reason. In total, 55 reasons were summarised. The responses in Table 4.5 refer to the contrary of Table 4.6. Once again, more than one reason was indicated by some of the respondents. A total of 138 reasons were identified by the 100 respondents.

[3] *N=127 represent the total number of suggestions for better control over instalments.*

fallen in arrears in the past, also that they tend to buy too easily with their store cards and hence experience a continual rise in monthly installments.

4.3.3 **Research question 3**

How satisfied are store cards owners with store cards and related facilities after prolonged use?

4.3.3.1 Respondents' satisfaction with specific attributes of store cards

Respondents' satisfaction with store cards was quantified through judgment of a list of attributes of store cards that enabled the calculation of a mean score as well as an evaluation of individual attributes and categories of attributes. Results are presented in Table 4.5 in descending order (most satisfied to least satisfied). A Likert scale was used (Satisfied: 3; Fairly satisfied: 2; Dissatisfied: 1).

TABLE 4.7: RESPONDENTS' SATISFACTION WITH SPECIFIC ATTRIBUTES OF STORE CARDS (N=100)

	% Sample A (n=100)		
Attributes of store cards	**Satisfied**	**Fairly satisfied**	**Dissatisfied**
The opportunity to pay for purchases in installments	**71**	26	3
Credit limit increases buying power	**68**	24	8
Access to associated stores	**68**	17	15
Serves as extension of personal credit facilities	**66**	31	3
Convenience, can purchase even if you do not have cash	**65**	30	5
Creates affordability on special occasions, e.g. sales	**65**	33	2
Security (no need to carry cash in your purse)	**64**	27	8
Helps to finance/afford expensive merchandise	**60**	28	12
Communication: administrative aspects, accounts	**52**	33	15
Helps to control spending through specific credit limit	**31**	**34**	35
Revolving credit: an interest free credit facility	**24**	**34**	42
Incentives such as special discounts, birthday vouchers	**23**	**35**	42
Special treatment as regular client	**23**	**39**	38
Access to administrative departments, management	**19**	**42**	39
Additional benefits such as legal assistance	15	28	**57**

Shaded areas indicate more than 50% of sample

More than 50% of respondents were *satisfied* with nine of the 15 atttributes listed while more than 50% were at least *fairly satisfied* with the remaining six attributes. Respondents were generally satisfied with those attributes that were considered important during the adoption of store cards (refer to Table 4.3), i.e. the financial benefits of store cards (e.g. contributing towards the extension of credit facilities which enables buying goods in bulk; use of store cards for emergency situations; flexibility to pay in monthly installments) as

well as convenience of store cards (e.g. security factors: no need to carry cash in your purse). Surprisingly, respondents were less satisfied with additional benefits associated with store cards: 57% of respondents expressed dissatisfaction with so-called additional benefits and 42% were dissatisfied with special incentives such as birthday vouchers).

During the completion of questionnaires respondents indicated that although they have heard about these additional benefits such as funeral benefits and legal assistance they never use it because they are not fully informed in terms of how to utilize it. Satisfaction culminates as the congruence between expectations and reality. With regard to additional benefits of store cards, respondents may be ill informed and/or may have unrealistic expectations and/or negative experiences. This problem could be pursued through further research to ultimately improve consumers' satisfaction. Respondents thus seemed more satisfied with financial and convenience benefits of store cards than with additional benefits.

4.3.3.2 ***Mean satisfaction with store cards***

The mean satisfaction for the sample (n=97) is 18.91, considering a maximum score of 30 (Std dev 5.55), which suggests that serious attention should be given to factors that are not judged favourably. The results indicate that 42% were dissatisfied with the *revolving credit: an interest free credit facility* and 35% were dissatisfied with *control of spending through specific credit limit*s In lieu of the fact that the majority was hooked up in the extended payment option that includes interest on outstanding balances, this was expected. While it is not clear whether they reverted to the extended payment plan out of their own will or whether they were not fully informed prior to the adoption of their store cards in terms of the various payment options, their concern should be investigated and addressed properly. More than 40% of the respondents were dissatisfied with additional benefits and with special incentives such as discount vouchers that boosted to promote store cards. Informal comments during the data collection procedure indicate a communication problem that need to be resolved to increase consumer satisfaction.

Findings suggest that respondents were more satisfied with those attributes that they considered important determinants during the adoption of store cards. However, dissatisfaction with attributes of lesser importance seems to have a strong negative effect on the mean satisfaction with store cards *per se.* A mean score of 18.91 (maximum 30) indicates that there is much room for improvement.

4.3.3.3 Respondents' satisfaction with specific attributes of store cards

Store cardholders' satisfaction with the facility was also correlated with their credit status, i.e. whether their installments remained the same, increased or decreased during the previous year (Table 4.8).

TABLE 4.8: MEAN SATISFACTION CORRELATED WITH INSTALLMENT STATUS (N=97)

Installment status		**Mean satisfaction**	**Std dev**
Installments remained the same	n=40	**18.93**	5.65
Installments increased	n=41	**18.07**	5.03
Installments decreased	n=16	**21.00**	6.35

A significant relationship between respondents' satisfaction with store cards and the status of their monthly installments ($p=0.02$) is evident: mean satisfaction with store cards decrease as installments increase. Mean satisfaction of the different groups within the sample does however not differ significantly ($p>0.05$).

4.3.4 Question 4

Is there a significant relationship between the utilization of store cards and consumers' satisfaction with store cards and related services?

Twelve possible reasons for the adoption of store cards were derived from extant literature. These were paired with fifteen items that measured satisfaction with specific attributes of store card ownership. The Fisher Exact test was used to test for a relationship between reasons for the adoption of store cards and satisfaction with specific attributes of store cards. Significant relationships are indicated in Tables 4.8 and 4.9.

TABLE 4.9: THE RELATIONSHIP BETWEEN THE NOTION THAT STORE CARDS CAN BE USED TO PAY FOR PURCHASES LATER AND RESPONDENTS' EVENTUAL SATISFACTION WITH THE FACILITY

Level of satisfaction	Reasons for using store-cards: To buy goods on credit and pay later			Total	F-Exact test value
	A lot	*A little*	*Not at all*		
Paying for goods in affordable monthly instalment:					
Satisfied	34.0	26.0	5.0	65.0	0.0034
Fairly satisfied	14.0	13.0	6.0	33.0	
Dissatisfied	2.0	0.0	0.0	2.0	
Total	50.0	39.0	11.0	100.0	
Distribution of payments in instalments:					
Satisfied	36.0	29.0	6.0	71.0	0.0022
Fairly satisfied	11.0	10.0	5.0	26.0	
Dissatisfied	3.0	0.0	0.0	3.0	
Total	50.0	39.0	11.0	100.0	
Interest free payments plan:					
Satisfied	10.0	11.0	3.0	24.0	
Fairly satisfied	16.0	14.0	4.0	34.0	0.0014
Dissatisfied	24.0	14.0	4.0	42.0	
Total	50.0	39.0	11.0	100.0	

Table 4.9 shows that a significant positive relationship between the notion that store cards can be used to buy goods on credit and to pay for it over time in monthly instalments ($p<0.005$) and

- satisfaction with the facility of paying in affordable monthly instalments ($p=0.0034$);
- satisfaction with distribution of the balance in affordable monthly instalments ($p=0.0022$).

A significant inverse relationship was found between the notion that store cards can be used to buy goods on credit and to pay for it over time in monthly instalments and satisfaction with the interest added to the payment plan ($p=0.0014$).

As was reported earlier, respondents were thus satisfied with the opportunity to pay for purchases later and to distribute payments in affordable instalments but were dissatisfied with the interest involved. Once again this indicates unrealistic expectations or improper communication about actual pre conditions of store card use.

TABLE 4.10: THE RELATIONSHIP BETWEEN THE NOTION THAT STORE CARDS CAN BE USED TO FINANCE PURCHASES IN EMERGENCY SITUATIONS AND RESPONDENTS' SATISFACTION WITH THE FACILITY

Level of satisfaction with store card attributes	Reasons for using store-cards *To help me during emergency situation*			Total	F-Exact test value
	A lot	*A little*	*Not at all*		
Extension of credit limit:					
Satisfied	**53.0**	10.0	3.0	66.0	
Fairly satisfied	21.0	7.0	3.0	31.0	0.0022
Dissatisfied	1.0	2.0	0.0	3.0	
Total	75.0	19.0	6.0	100.0	
Buying expensive and better quality goods:					
Satisfied	**48.0**	9.0	3.0	60.0	
Satisfied	20.0	6.0	2.0	28.0	0.0025
Dissatisfied	7.0	4.0	1.0	12.0	
Total	75.0	19.0	6.0	100.0	
Distribution of payments in instalment:					
Satisfied	**55.0**	10.0	6.0	71.0	
Satisfied	18.0	8.0	0.0	26.0	0.0022
Dissatisfied	2.0	1.0	0.0	3.0	
Total	75.0	19.0	6.0	100.0	

Table 4.10 shows that a significant positive relationship between *the notion that store cards can be used to finance purchases for emergency situations* ($p<0.005$) and

- satisfaction with the extension of their credit limits ($p=0.0022$);
- satisfaction with the opportunity to buy expensive goods and better quality merchandise ($p=0.0025$);
- satisfaction with the distribution of the balance in instalments ($p=0.0022$).

The use of store cards for unexpected purchases (emergency purchases) is thus positively evaluated in terms of the related consequences.

4.4 SUMMARY OF RESULTS

The results indicate that financial and convenience benefits are particularly important influences to persuade consumers to adopt store cards. The fact that store cards reduce the immediate need of cash and provides a flexible payment method whereby one can pay for the goods purchased over a period of time in monthly installments seems highly regarded. The convenience of store cards in terms of not having to carry large sums of money around was also an important persuasive factor to influence consumers to adopt store cards. On the other hand, the additional benefits (funeral benefits, legal assistance), and the incentives (discount vouchers, gift vouchers) were considered to be less important. Social factors such as friends'

recommendations were also given less credit by majority of respondents in terms of importance to influence their adoption of store cards.

With regards to satisfaction with attributes of store cards, the majority of respondents seemed satisfied with attributes of the store cards that related to financial benefits and convenience of use. Dissatisfaction was expressed by 57% with additional benefits that are associated with store cards: during the survey some respondents mentioned that these benefits are not well communicated and/or are not fully accessible to them and hence they are not benefiting from it. This seemed to affect the mean score for satisfaction considerably even though these benefits were nor regarded particularly important. The systems perspective postulates that any system (in this instance: satisfaction with store cards) should always be considered as a whole rather than to focus on satisfaction with individual attributes and importance of individual attributes because that does not provide a clear picture of the matter (Spears & Gregoire, 2003:4).

In terms of the effect of store cards on cardholders' shopping behaviour, the majority of respondents admitted that they tend to buy too easily and buys more with their store cards than they would when using cash. They thus admitted overspending and impulse buying. Unfortunately store cardholders do not seem to do comparative shopping at other stores. The quality and price of products are thus not critically evaluated, which enhances irresponsible shopping behaviour. The fact that the majority of respondents also indicated that their monthly installments increased during the previous year due impulse buying and poor planning whilst only a small percentage indicated that they could afford the higher installments are reasons for concern. This suggests that store cards tend to have a negative effect on consumers' shopping behaviour.

Regardless of respondents' dissatisfaction with additional benefits and incentives associated with store cards and a mean satisfaction figure that is not impressing, the majority of respondents indicated that they would recommend store cards and still continue to use store cards based on financial benefits, usefulness in emergency situations and their convenience. When explained within the systems approach, this indicates that the negative consequences of store cards are negated by their positive attributes: although store cardholders experience higher levels of debt and struggle to cope with monthly installments, the store cards are still appreciated for providing credit when it is needed.

Respondents who indicated that one should refrain from using store cards, indicated overspending; increased debts and financial consequences of interest that is added to outstanding balance as well as the fact that one cannot do comparative shopping at other stores as major areas of concern.

Respondents suggested various cautions to guard prospective store card owners against misfortunes. These were: never to skip installment in order to curb interest and overdue charges, which may eventual lead into a debt trap; to be extra careful when using cards to avoid debts; never to default because these can lead to consumers being black listed.

The conclusions and recommendations are outlined in the next chapter

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

This chapter outlines the general discussion, conclusions and recommendations of the study as stipulated in the objectives. Limitations of the study as well as the recommendations for further research are presented.

5.1 MOST IMPORTANT FACTORS THAT INFLUENCE CONSUMERS' ADOPTION OF STORE CARDS

Financial and convenience benefits of store cards were identified by more than 75% of the respondents as important or very important factors that influenced them to adopt store cards. The financial benefits, especially the advantage of acquiring a revolving credit facility that enables one to purchase goods during unexpected situations (so-called emergency situations) or when short of cash seemed to be attributes that are highly desirable. The majority of respondents (over 50%) also indicated that they needed a credit facility that permits them to pay for their purchases in installments over time while 38% of respondents specifically indicated the need to buy goods in bulk from time to time (e.g. during change of season and over Christmas time) and to pay for it in installments. During the data collection procedure and in the open-ended questions respondents indicated that their store cards allow them to own goods that they would not have been able to afford otherwise. Results of this research thus indicate that store cards are used to afford and maintain a standard of living and thus support Chan's report (1997:126) that monetary incentives are highly regarded in the initial decision of to adopt any credit card.

The convenience of store cards was another important persuasive influence to adopt store cards: the idea of not having to carry cash around in case you want to buy something and its virtue of being a secure method of transaction that is executed fast and effectively were favoured by 57% and 66% of the respondents irrespectively. Respondents also mentioned that store cards provide a secure method of payment that does not distinguish you from others in terms of financial status because store cards are used by consumers of all walks of life. These findings agree with Zwicky's report (1996:6) that ascribes the rise in credit card use to its

use as a convenient transactional medium. Other researchers (Chakravorti, 1997; Chakravorti, Emmons & Whiteshell, 1992 in Lee & Nan Kwon, 2002) proclaim that the popularity of credit cards as a payment medium at POS is an indication that the world is fast becoming a "cashless society".

Despite the fact that clothing retailers emphasise additional benefits as a marketing tool to attract more customers, these benefits (e.g. legal assistance, funeral benefits) and special incentives (discount vouchers, gift vouchers, birthday vouchers) were apparently not so important to persuade respondents to adopt store cards. Open-ended questions later revealed that this could be due to a lack of communication: respondents indicated that they were either not fully aware of these benefits or did not even know that these benefits existed.

Marketing related influences such as advertisements and encouragement of sales personnel as well as social factors (friends' recommendations) were apparently of lesser importance to persuade consumers to adopt store cards. Within the systems perspective these attributes can however not be under estimated: a sales person's recommendation and a friend's recommendation could either instigate the decision or be the final convincing factor during a consumers' decisions to adopt a store card. Although marketing and social influences are not considered the most important factors, their contribution in terms of initial exposure, awareness and curiosity should not be ignored. When asked about the importance of the various influences, respondents reacted in retrospect and in so doing, financial and convenience factors were indicated to be more important.

5.2 SATISFACTION WITH STORE CARDS AFTER PROLONGED USE

Consumers generally choose products because of the ultimate benefits that the products provide. When products (store cards) are evaluated satisfaction will be experienced if expectations are confirmed and dissatisfaction will result if a negative disconfirmation of expectations occur. The majority of respondents (over 50%) were satisfied or fairly satisfied with most of the 15 attributes of store cards when judged individually, especially those pertaining to financial and convenience benefits.. The performance of store cards in terms of financial and convenience benefits (also the considered to be the most important attributes/characteristics of store cards) were generally judged favourably. However, attributes that were considered less important were also judged less favourably. The more negative assessment of these attributes resulted in a mean satisfaction figure of 18.91 out of a maximum of 30 that indicates much room for improvement. The mean satisfaction figure for store cards indicates that individual attributes (in this case: additional benefits and incentives) need to be attended to.

5.3 THE EFFECT OF STORE CARDS ON OWNERS' SHOPPING BEHAVIOR

The majority of respondents (65%) confirmed that store cards caused overspending and admitted that they buy more goods with their store cards than they would when using cash. More than 60% indicated that they tend to buy too easily with their store cards (impulse buying), which resulted in increased debt. An increase in monthly installments during the preceding was confirmed by 42% of the respondents who indicated impulse buying and poor planning as the main causes. Alarmingly only 23.8% of those who indicated an increase in installments indicated that they could afford it. Evidence thus shows that store cards are used to maintain lifestyles that can barely be afforded. These results also collaborate with research by Feinberg (1986) in Soman, 2001 who compared actual consumer transactions of consumers who paid with cheques or cash with those who used credit cards. Credit card users spent more than those who used cash or cheques in otherwise identical situations (Soman 2001:460). This serves as a warning that owners of store cards who act irresponsibly may face financial constraints and debts that may be very difficult to overcome considering a commitment of installments for twelve months in advance. One way to limit the spiral of debt would be to block a customer's account once they skip a payment and not to keep on raising credit limits when customers reach the maximum or exceed it.

5.4 PATRONAGE TO ADJOINING CHANNELS

Respondents were divided in terms of whether they experienced store cards as restrictive, i.e. not to have extra funds to shop at adjoining channels and not to have the opportunity to compare the quality and prices of merchandise at competitors. Although 46% of the respondents expressed concern about being restricted to the issuers of the store cards, the rest were not concerned. This could be due to the ability to now use a Jet card or an Edgars card at any of the affiliated Edcon stores, i.e. Edgars, Jet, Legit, Prado and even Boardmans and CNA. Owning a store card thus also provides a "passport" to more up market stores and is not necessarily perceived to be limiting (Magi, 2003:97). Store cardholders in the Edcon group may thus distribute their spending across stores regardless of whether they own their store cards or not.

5.5 FREQUENCY OF STORE CARD USE

An alarming 61% of respondents reported that they buy too easily with their store cards, consequently their installments have increased during the preceding. This occurs because store cardholders are not limited by the amount of money that they have available when purchases are made and because credit limits often allow them to spend beyond their means. Even though respondents admitted to over spend and admitted impulsive shopping behaviour, they also said (in the open-ended questions) that purchase were "not unnecessary". They

thus defended their shopping behaviour. The majority (60%) also, in a follow-up open-ended question said that they would, given the opportunity to turn back the clock, once again adopt a store card. They however advised potential store cardholders not to overspend, to be cautious in using store cards and emphasized that one should not fall into arrears with installments. Regrets about owning a store card all pointed toward frequency of use of store cards, i.e. the temptation towards impulsive purchases and consequent prolonged installments (36.4%) that led to increased levels of debt (22.1%) as well as overspending and living beyond your means (20.8%) through type of purchases and amounts spent.

5.6 CONTROL OF PERSONAL CREDIT LIMIT

An upward trend in respondents' installments in the preceding year was ascribed this impulse buying and poor planning. Soman and Cheema (2002:35) explain that self-control over spending is effortful and requires that the individual adheres to a set of well-defined rules to curb expenditure. Consumer protection legislation needs to be put in place in a formal manner to protect gullible customers from themselves as well as from predatory credit issuers who offers high credit limits to vulnerable lenders with the intention of benefiting from high interest and late penalties (Lown, 2005:402).

5.7 USE OF SUPPLEMENTARY SERVICES THAT ARE OFFERED TO CARD USERS

Stores that offer store cards, offer additional benefits such as club membership, legal assistance and incentives such as special discounts in order to increase customer satisfaction and to try and retain them. Retailers normally use these additional benefits as loyalty programs to curb customers from switching to other competitors. This survey revealed that the majority of respondents expressed dissatisfaction with these benefits and claimed that they were not fully informed about them and thus did not benefit from it. However there is not enough conclusive evidence to substantiate this claim. This needs to be investigated further so that Botswana consumers can maximise the benefits of store card use. Dissatisfaction with additional benefits and incentives such as vouchers had a noteworthy negative effect on the mean satisfaction figure for store cards as a facility. It is postulated that consumers' satisfaction with store cards will increase significantly if these benefits are properly introduced and promoted. In this research respondents indicated that these benefits were not important in their decision to adopt the facility but they later expressed dissatisfaction with these attributes to the detriment of the facility as an entity.

5.8 SIGNIFICANT RELATIONSHIPS BETWEEN SPECIFIC REASONS FOR THE ADOPTION OF STORE CARDS AND CUSTOMERS' SATISFACTION WITH THE FACILITY

Significant relationships emerged between card use and certain satisfaction factors. Consumers tied their reasons for using store-card to emergency situation and to its credit facility. Consumers, who buy goods on credit and pay later, were significantly satisfied with the following three attributes of their store-card: (i) it allows for paying for good in affordable monthly installment; (ii) allows for the distribution of payments in installments; and (iii) allows for interest free payments for goods.

It can thus be concluded from this survey that there is a noticeable significant link between financial and convenience attributes of store cards and respondents satisfaction with this attributes thereof, thus respondents who are a lot influenced by financial and convenience benefits to adopt store cards are more likely to be satisfied/ fairly satisfied with these attributes after prolonged use. This confirms the notion that during post adoption evaluation, consumers compare their expectations to perceived reality experience and consequent satisfaction/dissatisfaction depending on whether the performance of the product meets the initial expectations. Satisfaction with these attributes confirms that the performance of store cards with regards financial and convenience attributes of store cards meets the initial expectations (Internet: Psychology of consumers).

5.9 RECOMMENDATIONS BASED ON THE FINDINGS OF THE STUDY

The findings revealed that the majority of respondents were heavy revolvers who used the expensive payment option (i.e. 12 months installment plan with interest) despite the option to choose a short-term interest free option. Having an extended payment period may however also encourage cardholders to shop. It was thus not surprising that the majority of respondents experienced difficulties to honour payment of their accounts. This presents a challenge to retailers to inform and educate consumers prior to their adoption of the facility to encourage informed responsible shopping behaviour. Store card clients inter alia need to be made aware of finance costs and charges that they will encounter in case of default of payments and the consequences when credit limits allow them to spend beyond their means. Leaflets containing this kind of information written in both the local language and official language (English in the case of Botswana) need to be handed out when potential store cardholders apply for theses facilities. Retailers should also monitor cardholders' payment status and block accounts when problems become evident. Public policy makers through government departments should be proactive in their endeavours to protect consumers from predatory practices and lenders who offer high credit limits to vulnerable consumers with intention of making high profits through high interest- and penalty charges paid by the marginal borrowers. Policy makers should set appropriate

guidelines that control the extension of credit limits even to consumers who do not qualify for such high credit limits. A new credit act will in future protect South African consumers against predatory practices. It is hoped that the same will follow in Botswana.

Because respondents admitted to irrational shopping behavior, such as impulse buying, poor planning and overspending, it is proposed that consumer credit management is incorporated in the school curriculum and taught as a compulsory subject at grass root level. This will empower even young consumers to properly manage their credit accounts and to manage credit spending to prevent falling into debt. Retailers should also more seriously assess customers' credit worthiness before approving their account applications and extension of credit facilities should only be awarded upon a proof of increased income and a record of punctual payment over an extended period..

One of the key findings of this investigation was that consumers used store cards primarily for personal convenience reasons and financial reasons such as emergencies. It is therefore recommended that retailers take cognizance of this fact and redesign marketing strategies to focus on a broader cross-section of these convenience motives. Respondents indicated that additional benefits that come with store cards are not accessible to them. This needs to be investigated and dealt with.

5.10 LIMITATIONS OF THE STUDY

The data collection exercise (interview format) was time consuming. It was difficult to get respondents to fill in the questionnaire at the stores because many of them indicated that they were in a hurry, either to go to work or because of some pressing issues needed to be attended to at home or else where. The majority of respondents indicated limited experience with store cards, for instance almost half of the sample (48.5%) owned store cards for three years or less. This may have compromised the respondents' retrospective evaluations and judgments of certain attributes of store cards, for example the concerns about additional benefits such as legal assistance and funeral benefits because events that necessitated this to be applied have not occurred to them yet.

5.11 SUGGESTIONS FOR FURTHER STUDIES

It is proposed that the research is repeated with a larger, representative sample that consists of store cardholders of various retailers so that the results can be generalized to the larger population. It is suggested that a representative sample will allow more sophisticated statistical analysis such as correlations that could not be done within the scope of this study. Although the small sample of this study was limiting in terms of

the application of the results, strong trends were observed that are useful and valuable to plan more extensive research.

The survey method provided a proper tool to quantify data. The interview method, however, was time consuming. It is suggested that the results of the open-ended questions are used to structure quantifiable questions so that questionnaires could be self-administered. A qualitative study, on the other hand, will bring more in depth insights into reasons for use of store cards, and most importantly to determine the aspects of store card that they are satisfied with

Results revealed that the majority of respondents pay their monthly installments over a period of 12 months and hence pay interest in their credit balances. Thus they are more revolvers than convenience users. It would therefore be interesting to bring demographics such as income and occupation under study, to find out if they are any correlations between them and the store card usage (as a revolving credit source or for convenience). Therefore studies can be conducted on consumers of different income levels and different occupations to determine these correlations.

This survey involved Edcon store cardholders only. Further research should involve customers of competitors to provide a more comprehensive report on consumers' store card usage and effects it has on shopping behaviour.

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30 May 2006

The Manager
Edgars Store: Gabarone/Francistown

Dear sir

RESEARCH PROJECT: MOST IMPORTANT REASONS FOR THE ADOPTION OF STORE CARDS

As explained to you during our meeting, this research forms part of the pre requisites for my Masters degree. The intention with this study is to gain some insight into consumer's adoption and use of store cards, specifically to ascertain the most important reasons for the adoption of store cards as well as customers' satisfaction with the facility. Only Edcon store cardholders will be recruited for participation. All the questionnaires will be completed anonymous and no attempt will be made to identify the respondents. I will handle the recruitment of potential respondents personally to ensure successful completion of the questionnaires. Respondents will be allowed to withdraw at any stage if they wish and participation will be voluntary.

Please allow me to set up a facility in front of your store so that customers can be approached and involved in comfortable, inviting circumstances. I will withdraw if any complaints are raised during the course of the data collection procedure.

I am willing to share the findings with you upon completion of the research.

Thank you for your participation!
Kethuswegape Lebani

Study Leader: Dr Alet C Erasmus

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

University of Pretoria

Department of Consumer Science

QUESTIONNAIRE: Consumer's propensity to adopt store cards

Introduction and Notification

Dear participant,

The intention with this study is to gain some insight into consumer's adoption and use of store cards as well as customers' satisfaction with the facility. Please give your honest opinion through out. Participation is voluntary and anonymous. All information will be confidential and the names of participants will not be disclosed.

Thank you for your participation!

Kethuswegape Lebani

Study Leader: Prof Alet C Erasmus

Respondent number

SECTION A: DEMOGRAPHICS and GENERAL INFORMATION

Respondent number V1

Please mark with an X in the relevant boxes ☒ ☑

1. Gender	Female					Male	V2	
2. Age						years	V3	
3. Marital status	Single	Married	Committed and sharing resources				V4	
4. Which of the following store cards do you own?	Edgars	Jet	Woolworths	Truworths	Milady's	Foschini	Stuttafords	V5
5. How long have you had one or more store cards? (years)						years	V6	

6. Please indicate with an X the ONE method you usually use to pay your account/s?

a) The total balance at the end of the month ☐…… V7
b) Most of the balance at the end of the month and the rest as soon as I can ☐…….. V8
c) Always in installments over 6 months interest free ☐…… V9
d) In installments over 12 months ☐……... V10
e) Whenever I can afford to pay something ☐…… V11

7. Reflecting on your monthly installment/s DURING THE PREVIOUS YEAR,

a) Have your installments remained more or less THE SAME? ☐…… V12
b) Have your installments INCREASED? ☐…… V13
c) Have your installments DECREASED? ☐…… V14

8. If your monthly installments INCREASED during the past year, what was the MAIN REASON for the increase? Please mark ONLY THE MOST IMPORTANT REASON with an ☒

a) Improvement in your financial situation allowed for increase in expenditure on your store card? ☐. V15
b) Impulsive buying mainly caused your installments to increase ☐…….. V16
c) Insufficient planning and negligence caused your installments to increase ☐……..…… V17
d) Use of your card by other people caused the increase in your installments ☐…… V18
e) Was there any OTHER reason for the increase in your installments? V19
Please describe ….

9. If your monthly installments DECREASED during the past year, what was the MAIN REASON for the decrease? Please mark ONLY THE MOST IMPORTANT REASON with an ☒

a) You managed your purchasing better? ☐…… V20
b) Your financial situation required of you to reduce purchasing to reduce installments ☐…… V21
c) You intentionally limited purchases because you ultimately want to stop using the card? ☐…… V22
d) Was there another reason? Yes ☐… No ☐…… V23
Please describe…… V24

10. How would you describe your credit status at the store/s where you have the store card/s?

a) You struggle to cope with regular monthly payments ☐…… V25
b) You fall behind with payments from time to time ☐…… V26
c) You have fallen into arrears with monthly payments but I have managed to get control again ☐ V27
d) You have never fallen into arrears with monthly payments ☐…… V28

11. Have you ever paid your account in full then started using it again? Yes ☐ No ☐ V29

12. Do you permit other people to use your store card (for example your spouse or children)? If you do, Indicate who:…….. V30

13. How would you describe the correspondence of the store/s with you as a customer in general?

a) They are generally friendly and empathetic ☐…….. V31
b) All communication is generally strictly business like, formal and not very personal ☐… V32
c) The communication is very unfriendly ☐…… V33

14. **Apart from the store cards listed previously, do you also use other credit facilities?** V34
a) NO, I do not have any other credit facilities ☐……
b) YES, I also use bank credit cards and cards of buying associations ☐:…… V35

Section B **How influential were the following in terms of your decision to adopt a store credit card? Please mark an ☒ in the relevant boxes**	**A lot**	**A little**	**Not at all**		
a) I was persuaded by sales assistants to apply				V36	
b) I was tempted by incentives in the form of rewards, discounts, bonuses that are offered to store card holders				V37	
c) I was convinced by the convenience: Store card owners need not have to carry cash around or write cheques whenever they want to make a purchase.				V38	
d) I wanted to be able to buy goods on credit with the opportunity to pay for it later.				V39	
e) I needed a facility for emergency situations when one is short of cash				V40	
f) Friends convinced me to do so				V41	
g) I needed the facility that allows one to buy goods in bulk from time to time and then pay for it in monthly instalments.				V42	
h) The idea of having a store card made me feel special.				V43	
i) It is more secure to use a store card than to carry cash in my purse.				V44	
j) I adopted a store card because card owners can join a club where they have many other benefits e.g. emergency plans, birthday vouchers, legal- and funeral benefits.				V45	
k) I was convinced by advertisements on television and in magazines				V46	
l) Which other reasons convinced you to adopt a store card? Explain				V47	
				V48	

SECTION C **How SATISFIED are you with the following store card attributes?**	**Satisfied**	**Fairly satisfied**	**Dissatisfied**	For office use	
1. **Convenience:** I do not have to carry cash with me				V49	
2. **It creates affordability**: I can pay for goods in affordable installments.				V50	
3. **Extension of credit limit:** I can buy large amounts when necessary for example during sales or change of season and pay for it in installments.				V51	
4. **I can buy more expensive and good quality goods** that I could otherwise not have afforded without a store card.				V52	
5. **Payments are distributed** in installments				V53	
6. **Security:** it is more secure to use a store card than to carry the cash.				V54	
7. **Financial benefits** such as special discounts, birthday vouchers				V55	
8. **Additional benefits** such as funeral plans, legal representation.				V56	
9. **Special treatment** as a regular client				V57	
10. **Access to administrative departments** for example to discuss payments				V58	
11. **Communication and correspondence** with the store as a regular client				V59	
12. Credit limit, which allows me to buy more goods				V60	
13. Control of buying/ **spending based on credit limit and installments**				V61	
14. Allowance of an **interest free or limited interest** payment plan				V62	
15. I can use my card at **any of the related stores of the card supplier**				V63	

Section D **How does your store card affect your buying behaviour? Please mark an ☒ in the relevant boxes**	**Strongly agree**	**Agree**	**Most likely**	**Disagree**	**Totally disagree**		
1. I tend to buy too easily and this tends to increase my debt						V64	
2. I buy unnecessary things on impulse with my store card						V65	
3. I do not compare the quality and prices of goods with those at other stores because I cannot afford to buy at other stores anyway						V66	
4. I feel restricted because I can now only buy from the stores where I can use the store card						V67	
5. I can buy merchandise at any time, the card makes me more free						V68	
6. I do compare the quality of prices and goods with those at other stores and wish that I could afford to buy at other stores as well						V69	
7. I buy more goods with my store credit card than I would when paying cash						V70	

Section E: Open questions. Please explain as clearly as possible. Please comment on ALL the questions			
1) Given the chance to turn back the clock, would you adopt a store card if you could start all over? Yes No Explain why	Q1a	V71	
	Q1b	V72	
		V73	
		V74	
2) If you were to give advice to a friend on using or adopting store cards, what sort of advice would you give?	Q2a	V75	
➔ *You will be better off if you have a store card because…*……		V76	
		V77	
➔ *You will regret having a store card because…*…….	Q2b	V78	
		V79	
		V80	
3) What advice would you give to others in terms of managing their monthly installments? Explain	Q3	V81	
		V82	
4) What problems would you warn others about before deciding to adopt a store credit card? Explain…….	Q4	V83	
		V84	