

## Understanding Compulsive Buying Tendencies among Young Australians: The Roles of Money Attitude and Credit Card Usage

### Abstract

To investigate money attitudes and credit card usage between compulsive and non-compulsive buyers of young Australians. It also serves to validate the MAS scale using an Australian sample. Data were collected using a mall intercept method in a major shopping complex in Perth, Western Australia. A self-administered questionnaire was distributed and recorded a response rate of 18%. Compulsive buyers are more likely to perceive money as a source of power and prestige. They are also more frequent users of credit cards and are more likely to bargain hunt. There are no differences between compulsive and non-compulsive buyers for the dimensions of time retention, distrust, and anxiety of the MAS scale. The study has only captured young adult Australians and should not be generalised across other demographics and national consumers. Studies on compulsive behaviour of online shopping and a comparison between fashion and non-fashion related variables could also be explored. Firms should consider using advertising campaigns that portray images of status and prestige in order to appeal to young adults. They could utilize aggressive in-store promotion and selling techniques and highlight the discount or best buy slogans. For the credit card companies and banks, word-of-mouth through family and friends are better promotional tools to attract users. Marketers and policy makers are recommended to incorporate consumer education programs for young adults to build skills to counter financial problems. This is the first Australian study that examined money attitudes, credit card usage and compulsive behaviour. Further the MAS scale is validated with the addition of the “bargain hunting” variable.

**Key Words:** Credit card usage, Compulsive buying, Money attitudes, Australians

## **Understanding Compulsive Buying Tendencies among Young Australians: The Roles of Money Attitude and Credit Card Usage**

### **INTRODUCTION**

Individuals increasingly utilize consumption as an alternative way to express and create self-identity, or social status (Soper, 2007; Campbell, 2004; Faber, 2004). As a result, consumption has become the social standard of leisure and lifestyle that is essential, easily accessible, and encouraged by society (Mueller et al., 2007; Neuner et al., 2005). Individuals' attitude towards money is driven by the active consumer culture and credit card usage that is becoming increasingly widespread in many countries (Dittmar et al., 2007). For instance, the Australian Bureau of Statistics shows that the total balance on credit and charge cards has risen an average of 17 percent over the five years since 2002 and the Australia's credit card bill has hit a record \$42.698 billion in December 2007 (Australia's credit card bill hits a record \$42.7b, 2008).

Furnham and Argyle (1998) characterized money as a medium for exchange as it facilitates trade. In addition, individuals tend to develop attitudinal and behavioural tendencies towards money by projecting their own definition onto it. Societies have rules and regulations as well as social norms and values that dictate the use of money (Belk and Wallendorf, 1990). According to Neuner et al. (2005) values are the core of a culture; hence the process of consumer acculturation has been expected to lead to the endorsement of materialistic values. When an individuals' need for safety and security are not fulfilled, they tend to place a strong focus on desires and materialistic values which then turn into buying as an attempt to leap up or claim status (Mueller et al., 2007; Neuner et al., 2005). Individuals who are obsessed with power and prestige resulting from having money have accelerated consumption to a degree that may result in negative outcomes such as compulsive buying (Roberts and Jones, 2001).

Mitchell and Mickel (1999) described credit cards as an extension of money in which payment can be deferred. Hence it can be assumed that credit card usage can be linked to consumers' money attitudes. For instance, Livingstone and Lunt (1992) found that individuals in debt were younger, used credit to influence other individuals or to make themselves feel better, and exercised less control over their financial situation. On the

other hand, Kaynak and Harcar (2001) found that people younger than 25 years old have the most favourable attitudes towards credit cards compared to people who are older. Compulsive buyers face a lack of control that may result in negative consequences such as write-offs of credit card debts.

The advancement in internet technology may also have an affect on the increase of credit card usage as the internet provides consumers with a convenient channel to shop for goods and services (Kaynak and Harcar, 2001; Lee et al., 2000). Frequent credit card usage could contribute to compulsive buying especially when consumers are not able to control their purchasing habits (Roberts and Jones, 2001; Roberts, 1998). For instance, Feinberg's (1986) study indicated that students exposed to credit card signs were more likely to spend more on an item with a shorter decision-making time.

To date, Robert and Jones (2001) is the only study that investigated the relationship between money attitude, credit card usage, and compulsive buying. Along with Medina et al. (1996), they emphasized the need for more attention on compulsive buying among young adults to investigate the various attitudinal and demographical factors that may exist. To this point, there has been no study that investigates compulsive buying among young Australian adults and their attitude towards money and credit card use. Therefore, the main objective of this study is to explore the money attitudes and credit card usage differences among compulsive and non-compulsive buyers within young adults in Australia. This present study hypothesizes that compulsive buyers will tend to show a higher level of anxiety, less price sensitivity, a lower level of preparation for the future (retention-time), and perceive money as a tool of power and prestige. In addition, this study posits that compulsive buyers tend to be higher credit card users.

Second, the paper also serves to further validate the MAS scale in Australia. Furthermore, this study aims to discover which particular dimension of money attitudes are especially important or primal in predicting compulsive buying with money attitudes and credit card usage.

This paper begins with a discussion on extant literature and leads to the model and hypotheses development. This is followed by a description of the research method. The discussion of the findings and analysis will next be presented. Finally, the managerial implications and limitations of the study are highlighted.

## **RELEVANT LITERATURE**

### **Compulsive buying**

Compulsive buying is defined as a “frequent preoccupation with buying or impulses to buy that are experienced as irresistible, intrusive, and/or senseless” (Muller et al., 2005, p. 3). Compulsive buying can exist as a consumers’ primary response for individuals to compensate for stress, frustration, disappointment, lack of self-esteem, structural deficit, and distortion of autonomy in their lives through the act of buying (Neuner et al., 2005; O’Guinn and Faber, 1989; Koran et al., 2006). Dittmar et al. (2007) have identified three core features of compulsive buying namely; consumers experience an irresistible urge to buy, consumers’ control over buying behaviour is lost, and consumers continue to buy despite adverse consequences in their personal, social, or occupational lives, and financial debt. O’Guinn and Faber (1989) explained that once buying behaviour is developed, the individual should face great difficulty in controlling buying even after its detrimental effects are recognised. Koran et al. (2006) added that once an individual is unable to control buying, they will frequently purchase unnecessary items or more than what they can afford, and shop for longer periods than was intended.

From a scientific perspective, compulsive buying is frequently overlooked and has been classified as an impulsive control disorder not otherwise specified (Black et al., 1998; Mueller et al., 2007). Based on the preliminary findings by Mueller et al. (2007), it was suggested that compulsive buying is more common in women. The endorsement of materialistic values has emerged as a significant predictor of compulsive buying tendency. Individuals with high materialistic values believe that the acquirement of material goods is a crucial goal for life as a prime indicator of success and the key to happiness and self-definition. Kasser and Kanner (2004) ascribe that the orientation of materialistic values is central to current consumer culture. Thus not only materialistic values entail a strong focus on obtaining material goods, but it is also related to the beliefs that consumer goods can provide a

psychological benefit. They also found that younger individuals who endorsed a materialistic value demonstrate a stronger compulsive buying tendency than the older individuals. Thus, it can be suggested that a materialistic value system direct individuals toward psychologically motivated buying behaviour.

### ***Money attitude***

The consumer culture has developed into one of the most powerful forces that influence individuals and society (Roberts and Sepulveda, 1999). Roberts and Jones (2001) has defined consumer culture as a culture where the majority of individuals devotedly desire, consume, pursue and display goods and services that are valued for non-utilitarian reasons such as status (power), envy aggravation and pleasure seeking. Money has been regarded as the common language of consumer culture. Money attitudes have impacted all areas of a person's life which include saving habits, spending, workplace performance, political ideology, charitable giving, and attitude towards the environment. Perhaps money is the most emotionally meaningful object in modern life because money is incorporated into individuals' lives and stimulates comparative behaviour between themselves and others in ways which include social power, control, quality, and freedom (Medina et al., 1996). It seems that there is a universal consensus among researchers that attitude towards money is a complex multidimensional concept which extract both positive feelings (such as freedom, quality and love) and negative feelings (such as distrust, failure and insufficiency). For that reason, the projection of the emotional and psychological values of money has extremely exceeded the rational economic value. Compulsive buyers are found to possess relatively lower self-esteem and self doubt than 'normal' consumers, and perceive beliefs that money can reflect the symbolic ability to enhance self-esteem (Chang and Arkin, 2002; Hanley and Wilhelm, 1992).

Yamauchi and Templer (1982) have identified four dimensions of money attitude which consist of power prestige, retention-time, distrust (price sensitivity), and anxiety.

### **Power prestige dimension**

Based on Yamauchi and Templer's (1982, p. 532) money attitude scale, individuals scoring high on the power-prestige dimension hold '...attitudes that indicate the

importance of status seeking, competition, external recognition and acquisition'. Individuals use money as a status symbol to influence and impress others and to give them the ability to remove obstacles that obstruct their path in achieving goals. In other words, money symbolizes a command over goods and services that are compulsory to advance the self-interest of an individual in a free enterprise economy (Roberts and Jones, 2001).

The power-prestige dimension of money attitudes can also be supported by the social comparison theory which suggests that individuals tend to compete and compare with each other. In today's society, status is regarded through the ownership of status products rather than through personal, occupational, or family reputation. Thus, in their effort to come out best in this social comparison and possession, individuals must demonstrate their social power by displaying their wealth through the ability to purchase goods and services (material objects). This is because wealth has been regarded as the best indicator of a person's power and status in this modern society (Roberts and Jones, 2001; Bell, 1998).

In addition, Tang and Luna-Arocas (1997) stressed how competition creates pressure on individuals to perform in a corporation as well as in the social arena to acquire more material objects in their quest to prove their social status i.e. through consumption. Consequently, this continuous drive to compete and acquire prestigious goods and services may lead to compulsive buying. Schor (1998) supports the notion of self-desired image when she pointed out that individuals use commodities as a mean of signalling to the outer world who they want to be, and that consumption is an act of comparison. For instance, Schor (1998) describes how conspicuous consumption by the upper class is a means to demonstrate their social position in an affluent society, and how the lower class tries to emulate this in order to boost self-esteem. Hoon and Lim (2001) theorized that individuals would purchase material possessions that confer status and symbolic respect aggressively which in turn may lead to a compulsive desire to continue to show off their achievements and to gain respect. This confirms Robert and Jones (2001) assertion that compulsive buyers are more likely to correlate buying with social status. Building from the above, it can be hypothesised that:

***H<sub>1</sub>: Compulsive buyers rate higher on the power and prestige dimension of attitude towards money than non-compulsive buyers.***

### **Retention-time Dimension**

The retention-time dimension of the money attitude scale describes individuals scoring high on this dimension as having high self-esteem. They also place a great value on the process of preparation to carefully plan and closely monitor their financial future (Roberts and Sepulveda, 1999; Yamauchi and Templer, 1982). In contrast, individuals with low scores are low on self esteem and tend to be very-present oriented rather than future oriented. Consequently, there is little concern for the careful management of their funds. For example, some findings such as Hayhoe et al. (1999) revealed that students holding more credit cards tend to score lower on retention-time dimension. Tokunga (1993) found that a close correlate of compulsive buying in the form of unsuccessful credit users took fewer steps to retain their money. This may partially confirm Hanley and Wilhelm's (1992) findings that compulsive buyers also score lower on the retention-time dimension. Tang and Gilbert (1995) also found an inverse relationship between careful budgeting and compulsive spending. Thus, it can be hypothesized that:

***H<sub>2</sub>: Compulsive buyers rate lower on the time retention dimension of attitude towards money than non-compulsive buyers.***

### **Distrust**

The distrust dimension of the money attitude scale describes a person scoring high in this dimension as one who appears to maintain a hesitant, suspicious and doubtful attitude in regards to situations involving money. Such individuals tend to be insecure and wary of their ability to maximise the value of their money through efficient purchase. Yamauchi and Templer (1982) in fact, have even linked distrust to paranoia and pointed that distrust demonstrated a much stronger relationship to various clinical syndromes. Roberts and Jones (2001) suggested that this dimension should be regarded as price sensitivity because the items focus on consumer's sensitivity to the price paid for goods and services. In addition, they believe that individuals who obsess over the price paid for goods and services are less likely to engage in compulsive buying. Based upon the above this study hypothesizes:

***H<sub>3</sub>: Compulsive buyers rate lower on the distrust dimension of attitude towards money than non-compulsive buyers.***

### **Anxiety**

The anxiety dimension of the money attitude scale describes a person scoring high in this dimension to be very worried and anxious about money and views money as a source of protection from anxiety (Roberts and Jones, 2001; Lim and Teo, 1997; Yamauchi and Templer, 1982). Lim and Teo (1997) suggest that individuals who have experienced hardship will tend to experience more financial anxiety. However, their research did not indicate any significant differences in the tendency of such individuals to save and reduce spending. Roberts and Jones (2001) clarified that compulsive buying is viewed as a resolution to anxiety and that compulsive buyers react to stress with higher levels of anxiety than do non-compulsive buyers. This could indicate that though consumers may experience financial anxiety, they still tend to spend indiscriminately.

Hirschman's (1980) theory of experiential consumerism states that sensory and imaginary processes may motivate shopping as a means of maintaining high state of arousal and individuality. Furthermore, Valence et al. (1988) described that anxiety provokes spontaneous action and pushes the consumer to reduce tension, which leads to excessive consumption i.e. compulsive buying. Thus, one can assume that the prime motivation for buyers to engage in compulsive buying behaviour is to escape from anxiety, to relieve stress, and to make them feel happy, a notion supported by Roberts and Jones' (2001) study. Unfortunately, these attempts to escape from problems tend to be temporary and will most likely result in even higher level of anxiety and guilt over the money spent earlier (Desarbo and Edwards, 1996). Therefore, this study posits that:

***H<sub>4</sub>: Compulsive buyers rate lower on the anxiety dimension of attitude towards money than non-compulsive buyers.***



## **Credit card usage**

Cohen (2007) suggested that credit cards function as a tool for consumers to fulfil the ever-evolving standards of appropriate external presentation because credit cards allow consumers to experience a lifestyle beyond their immediate financial means. Roberts and Jones (2001) suggested that the influence of credit card use with compulsive buying can be explained by the “weapons effects theory”. The theory states that the mere exposure to an aggressive stimulus will lead to an aggressive behaviour. According to Pirog III and Roberts (2007), consumers who regularly use credit card as their main method for payment are more likely to spend more than those consumers who uses other methods of payment and tend to use it beyond their ability to pay (Park and Burns, 2005).

Several studies (such as O'Guinn and Faber, 1989; Park and Burns, 2005) have identified a significant relationship between credit card use and compulsive buying. Roberts (1998), Roberts and Jones (2001), and Park and Burns (2005) discovered that there is a significant relationship between credit card use and compulsive buying among American college students. Hence, Coulton (1996) stated that undergraduate students in the U.S. are regarded as a potential lifelong prospect. Thus, it explains that the aggressive competition to gain a piece of the lucrative credit card profit pie has also made it easier for many consumers to acquire the services and use of credit cards.

Credit card industries' promise of the world at one's feet sends a message to consumers of the credit card's ability to purchase prestige and status with the benefits of 'buying now, paying later' (Kaynak and Harcar, 2001). This perception of greater convenience and social acceptability as well as easy access may stimulate consumer spending further through increased demand for credit cards. As such, Feinberg (1986) concluded that young consumers have been conditioned to associate credit cards with spending. Prior research has discovered that the credit card is a significant factor to spending-facilitating stimuli. This has been supported by O'Guinn and Faber (1989), and Park and Burns (2005) who have identified that compulsive consumers are more likely to own more credit cards than non-compulsive consumers.

In addition, Kaynak and Harcar (2001) indicated that as the length of time of credit card ownership increases, so too does the positive attitudes towards them and consequently its usage. This in turn points out that continuous use of credit cards may trigger further consumption via credit cards. Thus, credit card usage may elevate compulsive buying (Robert and Jones, 2001). Therefore, this study hypothesizes:

***H<sub>5</sub>: Compulsive buyers have higher credit card usage tendencies than non-compulsive buyers.***

## **RESEARCH METHODOLOGY**

### **Data collection**

Data were collected via a mall intercept at a major shopping complex in the CBD area of Perth, Western Australia. Shoppers were approached to participate in a self-administered questionnaire which takes about 10 minutes to complete. Every fifth individual that crossed a designated spot outside the main entrance of the mall was approached to participate. Prior to the data collection, interviewers were trained and instructed on how to administer the survey instrument and to include respondents with different demographic profiles. The data collection was conducted over a two week period on both weekdays and weekends. Of the number of shoppers asked, 18% of the shoppers agreed to take part in the survey. It has been suggested by researchers (such as Cowan, 1989; Hornik and Ellis, 1988) that measuring consumers' attitudes and perceptions in a mall or shopping related environment would provide ecological validity.

### **Measurement Instrument**

The instrument comprised of 5 sections. The first section began with a screening question. Only individuals between the ages of 17-29 were requested to continue with the survey. The second section comprised of a modified version of Yamauchi and Templer's (1982) twenty-nine items money attitude scale (MAS) used to measure respondent money attitudes. Responses to all items were based on a 7-point Likert scale, which range from 'Always' to 'Never'. The third section consisted of the clinical screener developed by Faber and O'Guinn (1992) used to identify compulsive buyers. The 5-point Likert scales asked respondents to indicate their agreement with

the statements present as well as the frequency of experiencing a behaviour on a 5-point scale ranging from 'Very Often' to 'Never'. The fourth section comprised of the credit card usage measure developed by Roberts and Jones (2001). All responses were recorded on a 5-point Likert scale, which ranged from 'Strongly Agree' to 'Strongly Disagree.' Items three, four, six and eight were reverse coded. The final part of the instrument captured the profile and shopping patterns of the respondents.

## RESULTS AND ANALYSIS

An overview of respondent characteristics is provided in *Table 1*. As evident, female respondents contribute to 56% of the sample size while the biggest portion of the age groups are between 21-23 years old (35%). The sample size also revealed that a large number of the respondents are still single (73%). 53% of the young adults in the sample size have credit cards and most of them are principal cardholders (59%). Credit card holders tend to own only one credit card (57%) and only a small portion of them own more than four credit cards (2%).

-----  
Insert Table 1 here  
-----

### Preliminary Analyses

Cronbach's Alpha was first used to assess the reliability of compulsive buying screener and the credit card usage scale (Roberts and Jones, 2001). The scale items are attached at **Appendix A** and **B**.

The compulsive buying screener (Faber and O'Guinn, 1992) was first factor-analysed to test its uni-dimensionality. The item "*Wrote a check when I knew I didn't have enough money in the bank to cover it*" was removed to provide a better Cronbach Alpha of 0.87 which is deemed acceptable for use in this analysis. Further, a median split at 3.51 was utilised as the cut-off point to separate compulsive buyers from non-compulsive buyers. All twelve items of the credit card usage scale (Roberts and Jones, 2001) were retained for use in the study. It has a recorded Cronbach Alpha of 0.78.

The factor analysis on the money attitude items were completed using Principal Components with Varimax Kaiser Normalisation, initially resulting in 5 factors, (KMO=0.797; Significant Barletts Test of Sphericity) with 60% of the total variance being explained (See *Table 2*). The first four factors that were retained corresponded very closely to Roberts and Jones' (2001) study in which identified four dimensions as hypothesized in this study. They are: Retention-time (eigenvalue = 3.5), Power-prestige (eigenvalue = 4.9), Price sensitivity/Distrust (eigenvalue = 2.1) and Anxiety (eigenvalue = 1.5). The fifth factor (eigenvalue = 1.4) contained items that were related to inability to resist bargains and sales. Cronbach alpha analysis indicated a reliable alpha score of 0.70, thus the inclusion of this factor as part of the money variable.

-----  
Insert table 2 here  
-----

### ***Hypothesis Testing***

Independent Sample T-tests were used to test for any significant differences between buyer group status (i.e. compulsive and non compulsive buyers). The results are depicted in *Table 3*.

-----  
Insert table 3 here  
-----

$H_1$  proposed that compulsive buyers are likely to perceive money as a source of power and prestige. The test demonstrated that there is a significant difference between the buyer groups ( $p = 0.02$ ) with compulsive buyers recording a lower score than non-compulsive buyers. Therefore,  $H_1$  is supported. T-test conducted between the two buyer groups and credit card usage demonstrated a highly significant difference with compulsive buyers having higher credit card usage tendencies. Thus,  $H_5$  is supported.

However there are no significant differences between compulsive and non-compulsive buyers for the variables of time retention, distrust and anxiety. Thus  $H_2$  ( $p = 0.42$ ),  $H_3$  ( $p = 0.61$ ) and  $H_4$  ( $p = 0.65$ ) are rejected.

With the evidence that there is a fifth factor of “bargain hunting” for the MAS scale, T-tests were also conducted between compulsive and non-compulsive buyers. Results showed that there is a significant difference between the two with compulsive buyers more likely to bargain hunt ( $p < 0.01$ ).

## **DISCUSSION**

This study has provides several significant contributions to the roles money attitude and credit cards play in the relationship with compulsive buying. Methodologically, a new factor of “bargain-consciousness” emerged as a stable dimension of money attitude scale (MAS) developed by Yamauchi and Templer (1982). This dimension has been suggested in Roberts and Sepulveda’s (1999) study. This factor proved to be positively related to compulsive buying. The other scales, namely credit card usage and compulsive buying, have also been further redefined, suggesting some exploratory forms of validation.

The view of money as a tool of power and prestige linked to compulsive buying behaviour has been justified in this study. The study suggests that the young adults’ pursuit of self-discovery tend to associate money as a way of achieving a desired prestigious image. This is supported by several other studies (such as Masuo et al., 2004; Mitchell and Mickel, 1999; Prince, 1993; Furnham, 1984). It must be noted that a study by Tang (1995), indicated that as individuals age, money is viewed as a symbol of success (power-prestige). While this may seem to contradict with the findings, this study focuses only on young adults. As such, it may mean that the perception of power and prestige could also be a function of age. More studies could be undertaken to gain further insights.

Interestingly, the other three dimensions of money attitude; retention-time, anxiety and distrust, were found to have no significant relationship to compulsive buying. This contradicts prior studies (such as Roberts and Sepulveda, 1999). One logical reason for these unforeseen results may have to do with the roles that cultural and

societal norms play in different countries. Cultures that are present oriented tend to regard time in the present and go with the proverb of 'going with the flow'. On the other hand, cultures that are future oriented are more likely to make plans for the future. Given that Australia is regarded as a melting pot of culture, it is no surprise that the result of the money attitude scale is varied (Smolicz et al., 1998).

While prior studies have shown evidence that there is a relationship between retention-time and compulsive buying, this study did not detect any significant difference between compulsive and non-compulsive buyers. According to Roberts (1998) this can be explained by the way young adults were socialized when they were growing up affecting their spending and saving habits. Also, in general, attitude towards spending and saving may be a function of the many age differences of the target sample based on cognitive maturation (Furnham, 1999). Furnham's (1999) study suggests that age determines how much money is to be saved and how much is to be spent. Thus, the younger the individual, the less likely they are to make careful plans and preparation regarding money for the future.

The mean score of the anxiety dimension appeared to be slightly skewed to a less worrying attitude towards money. This could be due to the relatively young sample population and their view that there is a long future ahead and they will not face the burden of financial obligations yet (Roberts and Sepulveda, 1999). In addition, the emergence of the bargain consciousness dimension of attitude towards money may have contributed to the insignificant relationship between distrust and compulsive buying. Consumers, who are obsessed with money and their own consumption competency, or rather the lack of it, may actually spend more if linked with the dimension of bargain consciousness. In an 'effort at self development' they accomplish this by trying to 'outwit the merchandiser' through their shopping skills (Roberts and Sepulveda, 1999; Dichter, 1986).

The results indicate clearly that high credit card usage and compulsive buying is positively related, reflecting results from other prior studies (such as Roberts and Martinez, 1997; Feinberg, 1986). Robert and Jones (2001) added that consumers are more likely to spend, to spend more, and make spending decision quicker when there is a credit card logo present. In addition, this study also found that most compulsive

buyers tend to have difficulty in terms of credit card payment, although not to the extent of delinquency but to the point of having to juggle their debts and paying only a small portion of what is actually owed.

Roberts and Jones (2001) suggested that credit card usage aggravates the problem of compulsive buying. This study reinforces the finding as it indicates that credit card usage stimulates spending and strengthens the relationship between attitude towards money and to compulsive buying. Frequent credit card users in this study are less price conscious and were more likely to purchase more expensive items, which consequently would result in a higher outstanding credit card balance. Tokunga's (1993) finding supports this suggestion that heavy credit card users are less price conscious, while McElroy et al.'s (1994) research proved that access to credit cards increases spending.

### **Implications for Marketers and Policy Makers**

This study provides marketers with a better understanding in identifying those who value power and prestige. The obsession of young adults with money as a tool of power and prestige is reflective on the underlying need to bolster their self-esteem and establish an identity for themselves (Hanley and Wilhelm, 1992). This 'excessive desire for things' among compulsive buyers is due to their emotional need for self-worth (Faber and O'Guinn, 1988). To better identify a specific and targeted segmentation strategy, a better understanding on the various cultural and demographical factors that affect compulsive buying is important. Hence, it will provide organization with an indication to segment markets based on lifestyle attributes that consumers ideally want and pursue. For instance, advertising campaigns should portray images of status and prestige in order to appeal to young adults.

In addition, marketers should be aware of how compulsive some young adults would be when it comes to bargains. Thus, they could utilize aggressive in-store promotion and selling techniques, i.e. highlight the discount or best buy slogans. However, these marketers need to be socially responsible in their attempt to gain a share of the young adult market. According to Roberts and Jones (2001), compulsive buying may contribute to other undesirable consequences as the production, consumption and

disposal of the product or service have severe impact on the environment. After all, Faber and O'Guinn (1988) pointed out that compulsive buyers did not exactly care for what they bought, but rather for the experience of the act.

In recent years, there has been a rapid development in credit card ownership due to the substantial increase in credit card acceptance and usage. Marketers are facing a challenge in getting individuals to use more credit cards. In order to do so, credit card companies offer credit card holders benefits and incentives when using credit card for their purchases and urging merchants to promote debit at the point of sale. The latest usage tactics to get consumers to increase the use of their credit card are rebates implemented by Visa and MasterCard. However, Kaynak and Harcar (2001) found that personal sources (i.e. family and friends) rather than the mass media (i.e. TV commercial, magazine advertisements) were regarded as a more important source of information on credit cards. This is discouraging to credit card companies which have invested heavily on advertising budgets.

Warwick and Mansfield (2000) however raised concerns over the social responsibility of organizations such as credit card issuers who pursue young students to apply for credit cards. As credit cards are becoming more accessible, the number of young adults holding credit cards will increase dramatically which will lead to increase in credit cards debts. In Australia, the market for credit cards is becoming more saturated; however, banks and even department stores are now offering their own credit cards to entice consumers to spend. Boyce and Danes (1998) believed that earlier in their teenage-hood, young adults' experience 'premature affluence' because of their high level of discretionary income (allowance, pocket money etc.) and almost no bills at all. The consequences of this could be complicated as they need to adjust to a different lifestyle where expenditure and cost is bound to incur. In addition, Davies and Lea (1995) found that young adults had more favourable attitude towards debt. The present study indicates how saving and financial planning (retention-time) seem to be of least concerns among most young adults. One reason for this could be that even if young adults are in debt they assume that their financial problem is temporary and will be easily repaid due to their age (Davies and Lea, 1995). This is a worrying trend for social policy makers.



As reflected in the literature, compulsive buying not only affects individuals but their family, friends, and society as a whole. This could come in the form of depression or distress, impaired social or occupational functioning, guilt or remorse, excessive debt, family conflict, bankruptcy, divorce, illegal activities, and even suicide (Norvilitis and Maria, 2002; Koran et al., 2006; Pinto et al., 2001; Durning, 1993; Faber and O'Guinn, 1988; Roberts and Martinez, 1997; McElroy et al., 1994). This study provides an analytical tool which is able to identify compulsive buyers from other buyers; thereby it will allow early detection before the situations gets out of control (such as bankruptcy). Revitalization from compulsive buying habits must be incorporated along with an improved sense of self-worth and self-esteem (Carrier and Maurice, 1998, p. 98). One logical reason for this is due to the heavy burden of shame that individuals attach to difficult money matters. This is often a vicious cycle in which the shame itself ties the person affected to the problem. Therefore, consumer policy makers should develop programs that are aimed at educating young adults on how to properly and carefully manage their finances as well as how to tackle other underlying psychological weaknesses that may contribute to excessive and compulsive buying.

In order to rehabilitate and teach young consumers on how to spend responsibly and how to efficiently manage their financial matters, a considerable amount of time is needed. According to Faber and O'Guinn (1988), a psychological counselling and support group is more sufficient as a method to overcome compulsive buying rather than the typical credit abuse intervention programs. This signifies that compulsive buyers are not just financially handicapped but that their behaviour is more psychological. Therefore, consumer education programs could concentrate more on providing skills rather than information. In the United States, many organizations like Visa, MasterCard and American Express show respectable displays of social responsibility in playing their part to educate young adults who are keen on applying for credit cards (Norvilitis and Maria, 2002). Educational pamphlets on credit cards are distributed to young adults and made available in many locations.

## **CONCLUDING COMMENTS**

In summary, the perception of money as a tool of power and prestige and the increase usage of credit card tends to surface more in compulsive buyers. This study has also confirmed that bargain consciousness is found to be more evident in compulsive buyers. However, findings did not reveal any significant relationship in anxiety and price sensitivity (distrust) of matters related to money, as well as retention-time, to be predictive of compulsive buying. This is in contrast with several previous studies which have found a significant relationship between the above three variables and compulsive buying. The propensity to save (retention-time), increased confidence in consumption skills, and less anxiety towards money may be related to the age of the sample as well as the way they were socialized when growing up with issues relating to saving and spending. The results could also imply that buyers who are distrustful of their ability with money matters may actually be related to bargain hunting. In their effort to prove otherwise, these buyers continuously search for the best buy in an effort towards self development.

The findings in this study provide several implications for marketing managers and their organizations to better segment and target consumers, especially young adults based on usage status – credit card use, money belief – power and prestige, and search for bargains as well as other in-store display and advertisement content. Several other environmental factors that may also contribute to compulsive buying such as family structure, gender, and other psychological factors also have to be taken into consideration by marketing managers in developing their strategies.

Future research efforts should be made to address several areas which include, but are not limited to, the improvement to measures of both compulsive buying and money attitudes. A factor which captures obsession with money would be an improvement. It is currently partially captured by the “Power-Prestige” dimension, but could be made explicit as a separate factor. Furthermore, future research should consider fashion-related variables and compare the results to non-fashion-related variables to determine if fashion-related variables as a whole can be considered a major determinant of compulsive buying

Future research should also be conducted with more representative groups which reflect broader demographical characteristics. One suggestion is the isolation of a certain demographic group, such as women in their 20s, compared to a mainstream population. It is also suggested that more cross-comparison studies between countries with different cultural backgrounds and economic development are needed in order to understand and compare the many different elements that may affect consumers' behaviour, namely the tendency to indulge in compulsive buying.

Dittmar et al. (2007) suggests that the Internet would contribute to compulsive buying as conventional stores do as consumers can shop worldwide at the convenience of their own home with limitless access for 24 hours, seven days a week. It is suggested that future research should focus on an in-depth investigation into the relationship between online purchasing and credit card usage with compulsive buying.

## REFERENCES

- “Australia’s credit card bill hits a record \$42.7b” (2008), *The Sydney Morning Herald*. Available at: <http://business.smh.com.au/australias-credit-card-bill-hits-a-record-427b/20080221-1tlv.html> (accessed 3 April 2008)
- Bell, M.M. (1998), *An Invitation to Environmental Sociology*, California: Pine Forge Press.
- Belk, R.W. and Wallendorf, M. (1990), “The Sacred Meanings of Money”, *Journal of Economic Psychology*, Vol. 11, pp. 35-67.
- Black, D.W., Repertinger, S., Gaffney, G.R. and Gabel, J. (1998) “Family History and Psychiatric Comorbidity in Persons with Compulsive Buying: Preliminary Findings”, *American Journal of Psychiatry*, Vol. 155, No. 7, July, pp. 960-963.
- Boyce, L. and Danes, S.M. (1998), . “Evaluation of the NEFE High School Financial Planning Program”, Englewood, CO: National Endowment for Financial Education.
- Campbell, C. (2004), “I shop therefore I know that I am. The metaphysical basis of modern consumption”, *Elusive Consumption*, pp. 27-44.
- Carrier, L. and Maurice, D. (1998), “Beneath the Surface: the Psychological Side of Spending Behaviours”, *Journal of Financial Planning*, February, pp. 94-98.
- Chang, L.C and Arkin, R.M. (2002), “Materialism as an Attempt to Cope with Uncertainty”, *Psychology & Marketing*, vol. 19, no. 5, pp. 389-406.
- Cohen, M. J. (2007), “Consumer credit, household financial management, and sustainable consumption”, *International Journal of Consumer Studies*, vol. 31, no. 1, pp. 57-65.

- Coulton, A. (1996), "Easy Credit for Students Teaching Hard Lessons", *American Banker*, Vol. 161, No. 200, pp. 16-17.
- Cowan, C. D. (1989), "Mall Intercepts and Clinical Trials: The Philosophy of Inference From Different Types of Research Designs", *Marketing Research*, Vol.1, Iss. 1, pp. 15 – 22.
- Davis, E. and Lea, S.E. (1995), "Student Attitudes to Student Debt", *Journal of Economic Psychology*, Vol. 16, pp. 663-679.
- Desarbo, W.S. and Edwards, E. (1996), "Typologies of Compulsive Buying Behaviour: A Constrained Clusterwise Regression Approach", *Journal of Consumer Psychology*, Vol. 5, Iss. 3, pp. 231 – 262.
- Dichter, E. (1986), "Psychological Insecurity as a Marketing Tool", *Marketing Communications*, Vol. 11, No.4, April, pp. 25-28, 110-111.
- Dittmar, H. (2005), "A new look at "compulsive buying": Self-discrepancies and materialistic values as predictors of compulsive buying tendency", *Journal of Social and Clinical Psychology*, vol. 24, pp. 806-833.
- Dittmar, H. Long, K. and Bond, R. (2007), "When a better self is only a button click away: Associations between materialistic values, emotional and identity-related buying motives, and compulsive buying tendency online", *Journal of Social and Clinical Psychology*, vol. 26, no. 3, pp. 334-362.
- Durning, A. T. (1993), "Long on Things, Short on Time", *Sierra*, Jan-Feb, Vol. 61-63, pp. 139-144.
- Faber, R.J. (2004), "Self-control and Compulsive Buying. Psychology and consumer culture: The struggle for a good life in a materialistic world", *American Psychological Association*, pp. 169-189.

- Faber, R. J. and O'Guinn, T. C. (1992), "A Clinical Screener for Compulsive Buying", *Journal of Consumer Research*, vol.19, pp. 459-469.
- Faber, R.J. and O'Guinn, T. C. (1988), "Compulsive Consumption and Credit Abuse", *Journal of Consumer Policy*, Vol. 11, pp. 97-109.
- Feinberg, R.A. (1986), "Credit Cards as Spending Facilitating Stimuli: A Conditioning Interpretation", *Journal of Consumer Research*, Vol. 13, pp. 348-356.
- Furnham, A. (1984), "Many Sides of the Coin: The Psychological of Money Usage", *Personality and Individual Differences*, Vol. 5, No. 5, pp. 501-509.
- Furnham, A. (1999), "The Saving and Spending Habits of Young Individuals", *Journal of Economic Psychology*, Vol. 20, pp. 677-697.
- Furnham, A. and Argyle, M. (1998), "The Psychological of Money", London, Routledge.
- Hanley, A. and Wilhelm, M.S. (1992), "Compulsive Buying: An Exploration into Self-Esteem and Money Attitudes", *Journal of Economic Psychology*, Vol. 13, pp. 5-18.
- Hayhoe, C. R. et al. (1999), "Discriminating the Number of Credit Cards Held by College Students Using Credit and Money Attitude", *Journal of Economic Psychology*, Vol. 20, pp. 643-656.
- Hirschman, E. C. (1980), "Innovativeness, Novelty Seeking and Consumer Creativity", *Journal of Consumer Research*, Vol. 7, pp. 283-295.
- Hoon, L. S. and Lim, K. G. (2001), "Attitudes Toward Money and Work-Implications for the Asian Management Style Following the Economic Crisis", *Journal of Managerial Psychology*, Bradford, Vol 16, No. 2, pp. 159-172.

- Hornik, J. and Ellis, S. (1988), "Strategies to Secure Compliance for a Mall Intercept Interview", *Public Opinion Quarterly*, Vol. 52, Iss. 4, pp. 539 – 551.
- Kasser, T. and Kanner, A. D. (2004), "Psychology and consumer culture: The struggle for a good life in a materialistic world", Washington, DC: American Psychological Association.
- Kaynak, E. and Harcar, T. (2001), "Consumers' Attitudes and Intentions Towards Credit Card Usage in an Advanced Developing Country", *Journal of Financial Services Marketing*, Vol. 6, No. 1, pp. 24-39.
- Koran, L.M., Faber, R.J., Aboujaoude, E., Large, M.D and Serpe, R.T. (2006), "Estimated Prevalence of Compulsive Buying Behaviour in the United States", *The American Journal of Psychiatry*, vol. 163, no. 10, pp. 1806-1813.
- Lee, S. H., Lennon, D. J. and Rudd, N. A. (2000), "Compulsive Shopping Tendencies Among Television Shoppers", *Family and Consumer Science Research Journal*, Vol. 28, No. 4, June, pp. 463-488.
- Lim, V. K. G. and Teo, T. S. H. (1997), "Sex, Money and Financial Hardship: An Empirical Study of Attitudes Towards Money Among Undergraduates in Singapore", *Journal of Economic Psychology*, Vol. 18, pp. 369-386.
- Livingstone, S. M. and Lunt, P. K. (1992), "Predicting Personal Debt and Debt Repayment: Psychological, Social and Economic Determinants", *Journal of Economic Psychology*, Vol. 13, pp. 111-134.
- Masuo, D.M., Malroux, Y.L., Hanashiro, R. and Kim, J.H. (2004), "College Students' Money Beliefs and Behaviours: An Asian Perspective", *Journal of Family and Economic Issues*, Vol. 25, Iss. 4, pp. 469 – 481.
- McElroy, S. L. et al. (1994), "Compulsive Buying: A Report of 20 Cases", *Journal of Clinical Psychiatry*, Vol. 55, No. 6, pp. 242-248.

- Medina, J. F., Saegert, J. and Gresham, A. (1996), "Comparison of Mexican-American and Anglo-American attitudes toward money", *The Journal of Consumer Affairs*, vol. 30, no. 1, pp. 124-146.
- Mitchell, T. R. and Mickel, A. E. (1999), "The Meaning of Money: An Individual-Difference Perspective", *Academy of Management Review*, Vol. 24, No. 3, pp. 568-578.
- Mueller, A., Mitchell, J.E., Mertens, C., Mueller, U., Silbermann, A., Burgard, M., and de Zwaan, M. (2007), "Comparison of Treatment Seeking Compulsive Buyers in Germany and the United States", *Business Research and Therapy*, vol. 45, no. 7, pp. 1629-1638.
- Muller, A. Reinecker, H., Jacobi, C., Reisch, L., and De Zwaan, M. (2005), "Pathological Buying – A Literature Review", *Psychiatrische Praxis*, vol. 32, no. 1, pp. 3-12.
- Neuner, M., Raab, G. and Reisch, L. A. (2005), "Compulsive Buying in Maturing Consumer Societies: An Empirical re-inquiry", *Journal of Economic Psychology*, vol. 26, no. 4, pp. 509-522.
- Nia, A. and Zaichkowsky, J.L. (2000), "Do counterfeits devalue the ownership of luxury brands?", *The Journal of Product and Brand Management*, Vol. 9, Iss. 7.
- Norvilitis, J. M. and Maria, P. S. (2002), "Credit Card Debt on College Campuses: Causes, Consequences and Solutions", *College Student Journal*, pp. 356-363.
- O'Guinn, T. C. and Faber, R. J. (1989), "Compulsive Buying: A Phenomenological Exploration", *Journal of Consumer Research*, Vol. 16, September, pp. 147-157.
- Park, H. J. and Burns, L. D. (2005), "Fashion Orientation, Credit Card Use and Compulsive Buying", *The Journal of Consumer Marketing*, vol. 22, no. 2/3, pp. 135-142.



- Pirog III, S. F. and Roberts, J. A. (2007), "Personality and Credit Card Misuse among College Students: The Mediating Role of Impulsiveness", *Journal of Marketing Theory and Practice*, vol. 15, no. 1, pp. 65-78.
- Prince, M. (1993), "Self-Concept, Money Beliefs and Values", *Journal of Economic Psychology*, Vol. 14, pp. 161-173.
- Pinto, M. B., Parente, D. H. and Palmer, T. S. (2001), "College Student Performance and Credit Card Usage", *Journal of College Student Development*, Jan/Feb, Vol. 42(1), pp. 49.
- Roberts, J. A. (1998), "Compulsive Buying among College Students: An Investigation of its Antecedents, Consequences and Implications for Public Policy", *Journal of Consumer Affairs*, Vol. 32, No. 2, pp. 295-319.
- Roberts, J. A. and Jones, E. (2001), "Money Attitudes, Credit Card Use and Compulsive Buying Among American College Students", *Journal of Consumer Affairs*, Winter, Vol. 35, No. 21, pp. 213-240.
- Roberts, J.A and Martinez, C. R. (1997), "The Emerging Consumer Culture in Mexico: An Exploratory Investigation of Compulsive Buying in Mexican Young Adults", *Journal of International Consumer Marketing*, vol. 10, pp. 7-31.
- Roberts, J. A. and Sepulveda, C. J. M. (1999), "Money Attitudes and Compulsive Buying: An Exploratory Investigation of the Emerging Consumer Culture in Mexico", *Journal of International Consumer Marketing*, Vol. 11, No. 4, pp. 53-74.
- Schor, J. B. (1998), "The Overspent American, Upscaling, Downshifting and the New Consumer: New York, Basic Books, pp. 173.

- Smolicz, J.J., Hudson, D.M. and Secombe, M.J. (1998), "Border Crossing in 'Multicultural Australia': A Study of Cultural Valence", *Journal of Multilingual and Multicultural Development*, Vol. 19, No. 4, pp. 318 – 336.
- Soper, K. (2007), "Re-thinking the 'Good Life': The citizenship dimension of consumer disaffection with consumerism", *Journal of Consumer Culture*, Vol. 7, No. 2, pp. 205 – 229.
- Tang, T.L.P. (1995), "The development of a short Money Ethic Scale: Attitudes toward money and pay satisfaction revisited", *Personality and Individual Differences*, Vol. 19, Iss. 6, pp. 809 – 816.
- Tang, T. L. P. and Arocas, R. L. (1997), "Money as a Motivator and the Endorsement of the Money Ethic among University Faculty in the USA and Spain: The Development of a New Money Ethic Scale", Annual Conference of the International Association for Research in Economic Psychology, September 15-18, Valencia, Spain.
- Tang, T.L.P. and Gilbert, P.R. (1995), "Attitudes Toward Money as Related to Intrinsic and Extrinsic Job Satisfaction, Stress and Work-Related Attitudes", *Personality and Individual Differences*, Vol. 19, Iss. 3, pp. 327 – 332.
- Thøgersen, J. (2004), "A cognitive dissonance interpretation of consistencies and inconsistencies in environmentally responsible behaviour", *Journal of Environmental Psychology*, Vol. 24, Iss. 1, pp. 93 – 103.
- Tokunga, H. (1993), "The Use and Abuse of Consumer Credit: Application of Psychological Theory and Research", *Journal of Economic Psychology*, Vol. 14, pp. 285-316.
- Valence, G., d'Astous, A. and Fortier, L. (1988), "Compulsive Buying: Concept and Measurement", *Journal of Consumer Policy*, Vol. 11, pp. 419-433.

Wang, F., Zhang, H., Zang, H. and Ouyang, M. (2005), "Purchasing pirated software: an initial examination of Chinese consumers", *Journal of Consumer Marketing*, Vol. 22, Iss. 6, pp. 340 – 351.

Warwick, J. and Mansfield, P. (2000), "Credit Card Consumers: College Students' Knowledge and Attitude", *Journal of Consumer Marketing*, Vol. 17 (7), pp. 617-626.

Yamauchi, K. and Templer, D. (1982), "The Development of a Money Attitude Scale", *Journal of Personality Assessment*", Vol. 46, pp. 522-528.

**Appendix A: Items of the Compulsive Buying Scale (Faber and O'Guinn, 1992)**

1. If I have any money left at the end of the pay period, I just have to spend it
2. Felt others would be horrified if they knew of my spending habits
3. Bought things even though I couldn't afford them
4. Wrote a check when I knew I didn't have enough money in the bank to cover it
5. Bought myself something in order to make myself feel better
6. Felt anxious or nervous on days I didn't go shopping
7. Made only the minimum payments on my credit cards

*7 point Likert Scale: 1- Always, 7- Never*

**Appendix B: Items used for Credit Card Usage (Roberts and Jones, 2001)**

1. I have too many credit cards.
2. I frequently use the available credit on one credit card to make payment on another credit card
3. I always pay off my credit cards at the end of each month.
4. I seldom take the cash advances on my credit card.
5. My credit cards are usually at their maximum credit limit.
6. I am seldom delinquent in making payments on credit cards.
7. I am more impulsive when I shop with credit cards.
8. I rarely go over my available credit limit.
9. I spend more money than I use a credit card.
10. I worry how I will pay off my credit card debts.
11. I often make minimum payments on my credit card bills.
12. I am less concerned with price of a product when I use a credit card.

*5 point Likert Scale: 1- Strongly Agree, 5- Strongly Disagree*

*Items 3, 4, 6 and 8 are reverse coded.*

**Table 1: Respondents Demographics**

<b>Demographics</b>	<b>N</b>	<b>%</b>
<b><i>Gender</i></b>		
Female	239	56
Male	176	44
<b><i>Age Group</i></b>		
18-20	95	23
21-23	143	35
25-26	106	25
27-29	71	17
<b><i>Marital Status</i></b>		
Single	301	73
Married	89	21
Divorced	1	6
<b>Background Information</b>		
<b><i>Purchase Frequency</i></b>		
Less than Once	25	6
Once a Month	59	14
2-3 times a month	172	42
4-5 times a month	101	24
6 times or more	58	14
<b><i>Credit Card</i></b>		
Yes	222	53
No	193	47
<b><i>Credit Card Ownership Status</i></b>		
Supplementary	92	36
Principal	148	59
Both	12	5
<b><i>Number of Credit Cards</i></b>		
Only 1	127	57
2-3	90	41
4-5	5	2

**Table 2: The remaining items from each of the Money Attitude dimensions (Yamauchi and Templer, 1982)**

Items	Power Prestige	Retention-time	Price sensitivity	Anxiety	Bargain hunting
I behave as if money were the ultimate symbols of success.	0.746				
In all honesty, I own things in order to impress others.	0.717				
I use money to influence individuals to do things for me.	0.685				
Individuals tell me I place too much emphasis on the amount of money a person has as a sign of success.	0.679				
Although I should judge the success of individuals by their deeds, I am more influenced by the amount of money they have.	0.641				
I must admit that I purchase things because I know they will impress others.	0.639				
I seem to find that I show more respect for individuals with more money than I have.	0.626				
I follow a careful financial budget.		0.815			
I save to prepare for my old age.		0.773			
I put money aside on a regular basis for the future.		0.761			
I do financial planning for the future.		0.730			
I keep track of my money.		0.712			
I have money available in the event of another economic depression.		0.660			
I argue and complain about the cost of things I buy.			0.708		
I hesitate to spend money even on necessities.			0.693		
I automatically say 'I can't afford it', whether I can or not.			0.652		
When I buy something, I have a suspicion that I have been taken advantage of.			0.570		
After buying something, I wonder if I could have gotten the same for less elsewhere.			0.569		
When I buy things I complain about the price I paid.			0.544		
I worry I will not be financially secure.				0.792	
I show signs of nervousness when I don't have enough money.				0.626	
I show worrisome behaviour when it comes to money.				0.470	
It's hard for me to pass up a bargain.					0.875
I am bothered when I have to pass up a sale.					0.470
<b>Cronbach Alpha</b>	0.86	0.84	0.74	0.61	0.70
<b>Eigenvalue</b>	4.9	3.5	2.1	1.5	1.4

*7 point Likert scale: 1 – Always; 7 - Never*

**Table 3: Difference between buyer groups**

<b>Construct/Items</b>	<b>Compulsive Buyers N = 153 Means (SD)</b>	<b>Non-Compulsive Buyers N = 262 Mean (SD)</b>	<b>t-Value</b>
<i>Money Attitude</i>			
<b>Power-Prestige</b>	4.96 (1.02)	5.34 (1.03)	-2.430*
<b>Retention-Time</b>	4.26 (1.52)	4.09 (1.28)	0.839
<b>Distrust</b>	4.51 (1.01)	4.44 (1.01)	0.510
<b>Anxiety</b>	4.17 (1.02)	4.24 (1.31)	-0.388
<b>Bargain Hunting</b>	3.49 (1.38)	4.45 (1.46)	-4.400**
<b>Credit Card Usage</b>	3.40 (0.52)	3.97 (.650)	-4.460**

•  $p < 0.05$

\*\*  $p < 0.01$