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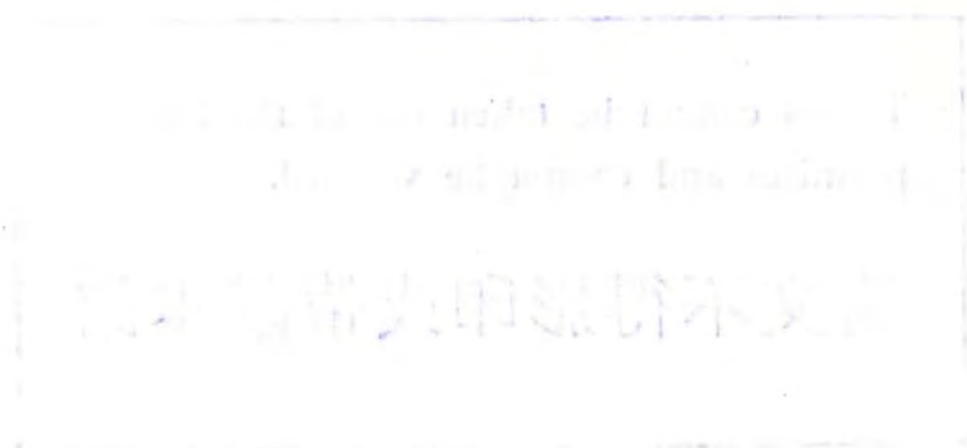
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AN ANALYSIS OF CREDIT CARD ORGANIZATIONS' OPERATIONS  
IN TWO SELECTED MARKETS - A CROSS-CULTURAL APPROACH

by

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## EXECUTIVE SUMMARY

Payment by credit card has become popular around the world. In both Hong Kong and the United Kingdom, people believe that the credit card is a convenient payment method.

In the United Kingdom, its popularity is even comparable to that of cash; British cardholders use credit cards even for small transactions. In Hong Kong, the usage of credit cards is still limited to shopping and dining out. Thus, credit cards are more widely used in the United Kingdom.

The credit card is not extensively used as a credit instrument in these two markets. Most cardholders are inclined to settle the entire outstanding balance each month. Especially in Hong Kong, "using future money" is still not a widely acceptable concept.

This may be explained by the fact that the two markets are in different stages of development. Compared to Hong Kong, the United Kingdom is a more advanced market with a longer history of development. A wider merchant network has been established and the British are accustomed to paying with credit cards. Moreover, the revolving credit concept is more accepted in the western culture.

Due to these different stages of development, an absolutely standardized marketing programme for the card



organizations to promote their business is not recommended. A specially designed marketing programme, which takes into consideration the characteristics of a particular market, would be more appropriate.

For the United Kingdom market, new market niches should be explored to deal with the growing maturity of the existing target groups. For instance, youth and corporate clients are promising markets for further development. New products, such as multi-function cards, should also be developed to satisfy the needs of customers. Service charges should be lowered in order to reduce the cost of using credit cards, which helps to satisfy the price-sensitive cardholders. In addition, non-bank institutions could be brought into the system to enlarge the distribution channel.

For the Hong Kong market, efforts should be put on promoting the credit card as a substitute for cash. Consumers should also be encouraged to carry more than one card. Wider distribution networks should be developed to enhance the convenience of credit card payment. Moreover, the unfavorable attitude toward "using future money" should be corrected, though it may take a long period of time to attain.

In summary, the card organizations should consider the special characteristics and needs of particular markets and design tailor-made marketing programmes to facilitate the promotion of business in these different markets.



## ACKNOWLEDGMENTS

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Last, but not least, our deepest thanks go to our advisor, Dr. Julie Yu. Without her advice and assistance, most of the problems encountered in the process of study could not be solved. In fact, we have learned a lot from her and we believe this is the greatest reward of conducting this study.

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## CHAPTER I

### INTRODUCTION

Recently, Visa International Inc. announced a plan to launch a unified, global marketing programme for its member banks in over 150 countries. The use of a globalization strategy could give a multinational company several competitive advantages, including cost effectiveness and a standardized image. It was believed that many multinational corporations were trying to adopt this strategy. Many giant multinational corporations such as Coca-Cola and McDonald's had already tried to use a globalization strategy. However, these companies had to allow a certain degree of adaptation when executing their global marketing strategies. Therefore, whether a worldwide credit card organization like Visa International Inc. could be successful in launching a unified marketing programme all over the world was uncertain.

According to Helene Duffy's point of view, the credit card industry was a steadily maturing market.<sup>1</sup> It would be necessary to be able to assess the lifestyles and product preferences of various demographic segments in order to be

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<sup>1</sup> Duffy, Helene, "Marketing for Survival: Credit Card Strategies for the 90s," Bank Management, Vol. 66, Iss. 4, Apr. 1990, pp. 44-47.



successful under a highly competitive environment. The challenge would be to tailor cards to even smaller market segments and to bundle them with customized enhancements. Following this direction, MasterCard International reorganized itself in an attempt to become more responsive to regional differences around the globe. It adopted a decentralization policy so that each business region could have autonomy to carry out its business. However, Visa International held an opposite point of view. Therefore, the strategy which is most appropriate for Visa International and MasterCard International is to be examined here.

In this research, the credit card markets and the characteristics of credit cardholders in Hong Kong and the United Kingdom were studied. Hong Kong was chosen as the focus of this study because it was the most familiar market. Hence, it would be easiest to find out the distinct and unique characteristics of the Hong Kong credit cardholders. On the other hand, the United Kingdom was also chosen, as it was one of the most well-developed credit card markets. In per capita terms, United Kingdom is the world's largest user of plastic cards<sup>2</sup> and some 45% of the UK population owned at least one credit card.<sup>3</sup> When comparing the characteristics of the cardholders in Hong Kong and the United Kingdom, insights as to whether a global marketing programme would be

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<sup>2</sup> Worthington, Steve, "Retailer Credit Cards," Credit Management (UK), Feb. 1990, pp. 39-41.

<sup>3</sup> "Financial Marketing: Card Tricks," Marketing (UK), Oct. 12, 1989, pp. 33-34.

feasible for the worldwide card organizations could be obtained.

In the following sections, the approach of the study, research findings, and recommendations would be systematically presented. In Chapter II, the objectives of this study, which include the decision making objective and research objectives, were described.

In Chapter III, different kinds of literature were reviewed. The first kind of literature was related to the dilemma of standardization and adaptation of international marketing programmes. Through this review, a better understanding of this dilemma could result. The second kind of literature were some past studies on the credit card market. Their approaches and methodologies were examined in order to gain insightful ideas for this study. The last one was an overview of the credit card market, including the global market and the credit card markets of the two selected countries.

The methodology of this study was presented in Chapter IV. Research design, data collection method, sampling method, questionnaire design, field work, and data analysis were all discussed in this chapter. Chapter V presented the limitations of the study. Sampling control, information control, and administration control were addressed.

The research results of the cross-cultural survey and the strategic implications were presented in Chapter VI.

Based on these findings, recommendations were made to the card organizations and were summarized in Chapter VII.



## CHAPTER II

### OBJECTIVES

This research was a form of attitude measurement. The main objective of this research was to determine if a worldwide credit card organization, like Visa International Inc. or MasterCard International, could be successful in launching a unified, global marketing programme all over the world, despite any differences that exist among target markets in different countries. The usage patterns, card selection criteria, attitudes toward credit cards, and demographic characteristics were studied in order to see if there were any differences between the credit cardholders in two selected countries, that is, the United Kingdom and Hong Kong. If the cardholders in these two countries exhibited significant differences in these aspects, adaptation, rather than standardization, of the marketing programmes of these organizations would be more appropriate.

The usage patterns of cardholders in these two selected countries were studied in order to determine if they used their credit cards differently. Variables studied included the most favorite brand, the average number of credit cards they owned, the frequency and amount of transactions that

were paid with credit cards, the repayment of outstanding credit balances, etc.

There were many considerations affecting a potential credit cardholder in choosing a particular brand among several different ones. In this research, the relative importance of many benefits or costs attached to a credit card, which could be the marketing tools used by the worldwide card organizations in attracting cardholders, were measured.

As mentioned before, this study was an attitude measurement. Since the attitudes of credit cardholders in these two countries toward using credit cards as a payment method would directly affect their perceptions and usage of credit cards, it was important to conduct a thorough examination of their attitudes. In turn, these worldwide card organizations could decide if they had to educate the consumers to pay with credit cards more frequently.

The demographic characteristics, for example, sex, age, educational level, household income, etc., of the cardholders who showed more positive attitudes toward paying with credit cards or used credit cards more frequently would also be determined. This kind of information would be very useful for the card organizations to identify the heavy versus light users. Then, they would be able to pinpoint the level of dissatisfaction of light users toward credit cards and review the benefits and advantages provided by their cards. Besides, a better understanding of the characteristics of



cardholders would enable them to approach the target segment(s) more effectively through the most appropriate channel(s).

### 2.1 Decision-Making Objective

There was one main decision-making objective in this study. This research could help the manager decide whether standardization or adaptation of its marketing programme should be adopted.

### 2.2 Research Objectives

In summary, there were three major research objectives to be achieved through conducting this research. Firstly, there would be an overview of the global credit card market, as well as the two selected countries. The market shares and circulation rates of different credit cards would be determined. Secondly, the usage patterns, card selection criteria, attitudes toward credit cards, and demographic characteristics of the credit cardholders were studied by conducting market research. Thirdly, the marketing strategies adopted by several worldwide credit card organizations, such as Visa, MasterCard, American Express, and Diners Club, were examined. Whether the present marketing strategies adopted were matched with the characteristics of cardholders in these two markets would be



investigated. By achieving these three research objectives, conclusions could be drawn regarding whether a unified strategy would be feasible for these card organizations in their global operations. Moreover, some recommendations on their marketing strategies for their survival in the highly competitive credit card market could be made. The recommendations would be based on the characteristics or attitudes of credit cardholders in these two countries, as found in the consumer research conducted.

## CHAPTER III

### LITERATURE REVIEW

To achieve the research objectives stated in the previous chapter, three areas of literature were reviewed and summarized here.

#### 3.1 Standardization Versus Adaptation

Globalization of marketing programmes has already been debated for at least two decades. The first issue of standardization of marketing strategies stressed that emerging similarities among European consumers make uniform advertising both desirable and feasible.<sup>4</sup> Since then, there has been a controversy about whether marketing strategies should be standardized or adapted to the local market. Some authors, like Buzzell (1968), said that the best strategy would differ from country to country, and the design of the strategy should be best left to local management in each

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<sup>4</sup> Jain, Subhash C. "Standardization of International Marketing Strategy: Some Research Hypotheses," Journal of Marketing, Vol. 53, Iss. 1, Jan. 1989, p. 70.

country.<sup>5</sup> They believed that greater returns could be obtained from adapting products and marketing strategies to the specific characteristics of individual markets (Fisher 1984, Kolter 1985, Vedder 1986).<sup>6</sup> Advocates of the "adaptive" approach argued that local marketing strategies should be guided by historical usage, local customers, and local use characteristics. These elements were all manifestations of cultural influences in the marketplace. The underlying logic of this approach was that marketers could only enhance the probabilities of their success by being aware of, and responsive to, the different cultural realities within which they wished to operate.<sup>7</sup>

On the other hand, the most representative proponent of the "standardized" approach was Professor Theodore Levitt. He argued that there was a growing similarity in what citizens of different countries wanted to buy, and hence the key to success was the development of global products and brands (Levitt 1983).<sup>8</sup> Others also pointed out that there was a growing internationalization of life-styles, and increasing homogeneity in consumer interests and tastes

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<sup>5</sup> Rau, Pradeep A. and John F. Preble, "Standardization of Marketing Strategy by Multinationals," International Marketing Review, Vol. 4, Iss. 3, Autumn 1987, p. 18.

<sup>6</sup> Douglas, Susan P. and Yoram Wind, "The Myth of Globalization," Columbia Journal of World Business, Vol. 22, Iss. 4, Winter 1987, p. 19.

<sup>7</sup> Friedmann, Roberto, "Psychological Meaning of Products: A Simplification of the Standardization vs. Adaptation Debate," Columbia Journal of World Business, Vol. 21, Iss. 2, Summer 1986, p. 98.

<sup>8</sup> Douglas, Susan P. and Yoram Wind, "The Myth of Globalization," Columbia Journal of World Business, Vol. 22, Iss. 4, Winter 1987, p. 19.



(Britt 1974, Fatt 1967, Boote 1967, Killough 1978).<sup>9</sup> They claimed that their approach offered benefits in terms of increasing the degree of managerial control, reducing costs, simplifying strategic planning efforts, taking advantage of the home-country headquarter's expertise, increased simplicity in developing specific substrategies, and an overall reduction in problems resulting from overlaps created by misusing both human and material resources.<sup>10</sup>

### 3.1.1 International Marketing Standardization

According to Levitt (1983), there were three underlying assumptions for the international marketing standardization strategy. First, customer needs and interests were becoming increasingly homogeneous worldwide. Second, people around the world were willing to sacrifice preferences in product features, functions, design, and the like for lower prices and high quality. Third, substantial economies of scale in production and marketing could be achieved through supplying global markets.<sup>11</sup>

Levitt suggested that increasing communications among nations and the emerging similarities in certain global

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<sup>9</sup> Douglas, Susan P. and Yoram Wind, "The Myth of Globalization," Columbia Journal of World Business, Vol. 22, Iss. 4, Winter 1987, p. 20.

<sup>10</sup> Friedmann, Roberto, "Psychological Meaning of Products: A Simplification of the Standardization vs. Adaptation Debate," Columbia Journal of World Business, Vol. 21, Iss. 2, Summer 1986, p. 98.

<sup>11</sup> Douglas, Susan P. and Yoram Wind, "The Myth of Globalization," Columbia Journal of World Business, Vol. 22, Iss. 4, Winter 1987, p. 21.

consumption patterns were resulting in greater degrees of standardization by some companies.<sup>12</sup>

Basically, there are four benefits associated with the adoption of global marketing strategies. The first benefit is cost reduction through economies of scales by pooling production or other activities for two or more countries, exploiting lower factor costs by moving manufacturing or other activities to low-cost countries, exploiting flexibility, and enhancing bargaining power. The second benefit is the improvement in quality of products and programmes, which is achieved by concentrating on a smaller number of products and programmes. Third, global availability, serviceability, and recognition can enhance customer preference through reinforcement. Last, but not least, a global strategy increases a company's competitive leverage by providing more points from which to attack and counterattack competitors.<sup>13</sup>

Certainly, standardization of marketing programmes also has its drawbacks. Local motivation and morale may be hurt if there is overcentralization. Also, a greater degree of coordination will be needed. Desires of many customers may not be entirely satisfied by standardized products.<sup>14</sup> It is believed that unless marketing decisions are based on an in-

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<sup>12</sup> Buatsi, Seth N., "Organizational Adaptation to International Marketing," International Marketing Review (UK), Vol. 3, Iss. 4, Winter 1986, p. 18.

<sup>13</sup> Yip, George S., "Global Strategy... In a World of Nations?" Sloan Management Review, Vol. 31, Iss. 1, Fall 1989, p. 34.

<sup>14</sup> Ibid, p. 34.



depth knowledge of changing market needs, standardization may result in loss of sensitivity to the needs of international markets.<sup>15</sup>

### 3.1.2 International Marketing Adaptation

Proponents of international marketing adaptation argued that there was a certain degree of dissimilarity between the domestic and international market environments (Keegan 1969), and hence marketing strategies should be customized to local conditions. Cultural differences (Arndt and Helgesen 1981; Hall 1959; Lee 1966; Ricks 1983, 1986; Terpstra and David 1985), economic differences (Douglas, Craig, and Keegan 1986; Henzler 1981; Luqmani, Quraeshi, and Delene 1980; Terpstra 1986), and differences in customer perceptions (Bilkey and Nes 1982; Cattin, Jolibert, and Lohnes 1982; Kaynak and Cavusgil 1983; Naagashima 1977; Narayana 1981) in foreign markets were considered as three important market conditions that influenced the decision of standardization or adaptation.<sup>16</sup>

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<sup>15</sup> Buatsi, Seth N., "Organizational Adaptation to International Marketing," International Marketing Review (UK), Vol. 3, Iss. 4, Winter 1986, p. 18.

<sup>16</sup> Jain, Subhash C., "Standardization of International Marketing Strategy: Some Research Hypotheses," Journal of Marketing, Vol. 53, Iss. 1, Jan. 1989, p. 73.



### 3.1.3 Standardization or Adaptation?

Some scholars suggested some frameworks for top managers of multinational corporations to decide whether standardization or adaptation should be implemented when formulating marketing strategies in the global marketplace. Majaro (1977) suggested that in order to successfully undertake product adaptation, the following had to be considered: corporate objectives, markets and their needs, company resources, nature of the product, the expected life of the product, universality of the product's appeal, level of service required, branding, ease of production, and legal constraints.<sup>17</sup>

According to Rita Martenson (1987), there were two forces which could influence the degree of standardization of marketing programmes of multinational corporations. They were internal and external forces. Internal forces were those factors that were within the corporation, working for or against standardization, while external forces were the market factors, such as the degree of homogenization of markets.

She also suggested that decision-making would be more likely to be decentralized if international operations were important for the company and if the local affiliate had a strong position within the company (Aylmer 1970).

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<sup>17</sup> Buatsi, Seth N., "Organizational Adaptation to International Marketing," International Marketing Review (UK), Vol. 3, Iss. 4, Winter 1986, p. 19.

On the other hand, other scholars mentioned that the most important obstacles to standardization of marketing strategies were differences in consumer tastes, habits, and incomes for consumer products manufacturers, and nationalistic attitudes for industrial goods manufacturers (Boddewyn & Hansen 1977).<sup>18</sup>

Jain (1989) listed several propositions that stated the conditions under which standardization could be implemented effectively. Standardization should be more practical in markets that were economically alike and if worldwide customers, not countries, were the basis of identifying the segment(s) to serve. The degree of standardization could be greater if there was greater similarity in the markets in terms of customer behavior and lifestyle, higher cultural compatibility of the product across the host countries, and greater similarity in a firm's competitive position in different markets. If the difference in physical, political, and legal environments between home and host countries was great, then the degree of standardization should be lower. Another important proposition was that the implementation of a standardization strategy would be more effective if the degree of centralization of authority for setting policies and allocating resources was greater.<sup>19</sup>

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<sup>18</sup> Martenson, Rita, "Is Standardization of Marketing Feasible in Culture Bound Industries? A European Case Study," International Marketing Review (UK), Vol. 4, Iss. 3, Autumn 1987, p. 10.

<sup>19</sup> Jain, Subhash C., "Standardization of International Marketing Strategy: Some Research Hypotheses," Journal of Marketing, Vol. 53, Iss. 1, Jan. 1989, pp. 72-76.



### 3.2 Studies on Credit Card Market

Before designing the research method and procedure, past work done on relevant topics should be reviewed in order to get some insights in designing the most appropriate method to achieve both the research and decision-making objectives. Three areas of literature were reviewed. One was the cross-cultural studies of credit cardholders. They could provide the framework for the research design, as well as methods of analysis. The other two areas were the studies conducted on the credit card markets in Hong Kong and the United Kingdom, respectively, as these two countries were the primary interests of this study.

#### 3.2.1 Cross-Cultural Studies of Credit Cardholders

As this research focused on a cross-cultural analysis of credit card markets in the United Kingdom and Hong Kong, past work done on similar topics should be reviewed. The methodologies used in the past were briefly summarized for purposes of comparison with the one being used in this study.

E. Kaynak and U. Yucelt (1984) conducted a cross-cultural study of credit card usage behavior of Canadian and American credit card users.<sup>20</sup> They said that there was no previous study offering insights into cross-cultural and

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<sup>20</sup> Kaynak, Erdener and Ugur Yucelt, "A Cross-Cultural Study of Credit Card Usage Behaviours: Canadian and American Credit Card Users Contrasted," International Journal of World Marketing, Vol. 2, No. 2, 1984, pp. 45-57.



cross-national differences/similarities among different cultural and national groups. Such information would be valuable for formal and systematic marketing planning purposes. The purpose of their study was to provide insights into the characteristics and attitudinal orientations of American and Canadian credit cardholders and users, while the question of interest was whether the profile of current credit cardholders and users in Canada showed any significant differences from that of credit cardholders and users studied in the USA.<sup>21</sup> There were three research focuses. Firstly, the primary reason for using credit cards was for the sake of convenience or for borrowing purposes. Secondly, the extent of credit card usage and the attitudes of credit cardholders were emphasized. Thirdly, the existence of measurable differences between cardholders in America and Canada was studied. Self-administered questionnaires were hand distributed to households. The attitudinal characteristics toward credit cards were evaluated using a five-point Likert type scale, and the data collected were analyzed using a two-group discriminant analysis technique; one group was the owners of credit cards, and the other group was those who did not own a credit card.

The result of this study demonstrated that credit card holding behaviors among Canadian and American consumers

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<sup>21</sup> Kaynak, Erdener and Ugur Yucelt, "A Cross-Cultural Study of Credit Card Usage Behaviours: Canadian and American Credit Card Users Contrasted," International Journal of World Marketing, Vol. 2, No. 2, 1984, p. 47.

showed similar patterns in attitudes toward owning and using credit cards. Samples in both countries felt that credit cards were useful. One of the major differences was that Canadian cardholders owned and used retail store credit cards, bank credit cards, and petroleum company credit cards, while American consumers tended to rely more on bank credit cards.<sup>22</sup>

A comparative study on the credit card business in Hong Kong and the People's Republic of China was conducted in 1991.<sup>23</sup> The study was based on the hypothesis that China, being a country with a communist ideology, was expected to run its credit card business, a product which originated from a capitalist country, rather differently. The objectives of this study were to find out the marketing strategies and operating systems adopted by banks in both countries to run their credit card business and the factors attributed to any differences in market performance.<sup>24</sup> Exploratory research, i.e., qualitative research design composed of questionnaires and in-depth interviews, was used. The questionnaire was sent to six branches of the Bank of China on the mainland, while three telephone interviews were conducted.<sup>25</sup>

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<sup>22</sup> Kaynak, Erdener and Ugur Yucelt, "A Cross-Cultural Study of Credit Card Usage Behaviours: Canadian and American Credit Card Users Contrasted," International Journal of World Marketing, Vol. 2, No. 2, 1984, p. 56.

<sup>23</sup> Mui, Yuet-Sheung, "A Comparative Study on the Credit Card Business in Hong Kong and People's Republic of China," MBA Project Report, CUHK, Apr. 1991.

<sup>24</sup> Ibid, pp. 24-26.

<sup>25</sup> Ibid, p. 27.



After reviewing the marketing strategies and operating systems of the credit card business in Hong Kong and China, McGuigan's Model was used to make comparisons. McGuigan, based on Mason and Bain's model, had proposed a conceptual market performance model which stated that the market performance of an industry was affected by the fundamental environmental conditions, market structure, and market conduct of the industry.<sup>26</sup>

The finding of this research was that there did exist differences in the credit card business in Hong Kong and China. Hence the hypothesis was proven to hold. The researcher also suggested that there would be increased competition, but also cooperation. New member banks would join to issue credit cards, and the competition would no longer be only getting new cardholders, but also stimulating the card usage of existing cardholders.<sup>27</sup> However, at the same time, more cooperation, such as generic advertising programmes, were expected in the future.

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<sup>26</sup> Mui, Yuet-Sheung, "A Comparative Study on the Credit Card Business in Hong Kong and People's Republic of China," MBA Project Report, CUHK, Apr. 1991, p. 68.

<sup>27</sup> Ibid, pp. 84-85.



### 3.2.2 Studies of the Credit Card Market in Hong Kong

In recent years, credit cards have achieved wider acceptance, both by consumers and merchants in Hong Kong. Many people who reached the age of 18, the minimum age for applying a credit card, possessed at least one credit card. Despite the increasing popularity of credit cards in Hong Kong, there have been relatively few published studies on the topic.

Hsu, Ho and Sin (1991) conducted a research project on the Hong Kong credit card market. There were basically two main research objectives of this study.<sup>28</sup> First, the study used demographic variables, psychographic variables, and attitudinal variables to distinguish credit cardholders and non-credit cardholders. Second, it tried to find out the relative importance of these variables in distinguishing credit cardholders and non-credit cardholders. Besides, the researchers also established two decision-making objectives for this study. They said that card organizations or banks which issue credit cards must be able to distinguish the differences between credit cardholders and non-credit cardholders in order to identify and attract potential customers. Moreover, through understanding the demographic variables, psychographic variables, characteristics of credit

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<sup>28</sup> 許丹林, 何淑貞, 冼日明, “香港信用卡市場：一個初步的實証研究,” 香港企業環境管理, 1991年, 第153至169頁。

card behavior, etc., they should be able to improve the effectiveness of marketing strategies in the target market.

The data was collected by the use of structured questionnaires and through personal interviews. The samples had the following common characteristics; 1. aged 21 to 60, 2. employed, and 3. the average personal monthly income was greater than HK\$2,499. The research was conducted in August 1986. The samples came from six different districts in Hong Kong. Quota sampling, using age as the basis, was used to collect data.

Three analysis methods were used, namely, t-test, chi-square test, and stepwise discriminant analysis. To summarize their findings, there were two parts in their results. The first one was the difference between credit cardholders and non-credit cardholders. They found that among four demographic variables, only the sex factor did not show any significant difference between credit cardholders and non-credit cardholders. Credit cardholders seemed to have higher personal incomes and academic qualifications. Moreover, cardholders mainly fell into the age range of 26 to 45. Regarding the psychographic variables, credit cardholders had stronger self-confidence, time consciousness, and were financially optimistic. There were significant differences in the credit card usage behaviors. The basic difference between them was that non-credit cardholders had a comparatively more negative attitude toward credit and credit cards. The second part of the findings summarized the



relative importance of the variables. They found that personal monthly income had the greatest discriminant effect.

Hsu, Ho and Sin concluded that the relaxation by issuing banks to a lower limit for personal monthly income of credit card applicants could increase their market share in the credit card market. They also thought that the Hong Kong credit card market had the potential to expand. Another implication was that card organizations or banks which issue credit cards should know more about the psychographic variables in order to choose the most appropriate marketing messages or themes for maintaining existing, or even attracting new, customers. They also mentioned that because of the traditional Chinese perception of credit, the card organizations should try to educate the general public in Hong Kong about the positive nature of using credit cards.

There was another study conducted in 1989 with the aim of analyzing the credit card market in Hong Kong, examining competition between bank cards and charge cards, and recommending appropriate business strategies.<sup>29</sup> The methodology used was literature review. It was just an exploratory research which introduced the history of the credit card market in Hong Kong, analyzed the present situation, compared the bank cards and charge cards, and made a prediction about future developments.

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<sup>29</sup> Po, Wai Kwong, "A Study of the Credit Card Market in Hong Kong," MBA Project Report, CUHK, May 1989.

### 3.2.3 Studies of the Credit Card Market in the United Kingdom

In this section, three studies of the credit card market in the United Kingdom were briefly summarized. As these studies were published in journals which were circulated in the United Kingdom, only the abstracts of these articles, found in the ABI/Inform system, were reviewed.

According to the 1986 Family Expenditure Survey, credit cardholders in the United Kingdom were most likely to be homeowners with a household income in excess of £15,000. Nearly 80% of all credit cardholders were homeowners, and 76% of all respondents with a salary greater than £15,000 per year held a credit card. On the basis of respondents' occupations, it would appear that categories which were normally regarded as being better paid and the positions normally open to people with higher educational qualifications tended also to be the categories with the highest percentage of cardholders. Over 90% of all credit cardholders in the sample also held a current account. As few as 11% of all people in unfurnished rented accommodations have a credit card. When age was considered, it would appear that, between the ages of 25 and 60, there was very little difference in the likelihood of a person holding a credit card, with an average of four out of ten credit cardholders.<sup>30</sup>

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<sup>30</sup> Crook, J. N. and R. Hamilton, "Characteristics of UK Credit Card Holders," Credit Management (UK), Feb. 1991, pp. 37-39.



A national survey to examine the degree to which the public had responded to credit proliferation and the recent increases in interest rates was conducted in March 1989. The survey sought to examine the credit/charge card usage pattern, the degree to which cards were being used more or less frequently than in the past, the number of people who had ceased to use a card in the last 12 months, and how each brand of card would deal with a period of card "austerity". A sample of 1,016 people were interviewed. The results indicated that although using credit cards had become the norm for most people, cardholders were becoming increasingly cautious in their use of credit facilities. It also showed that people were using their cards less, cutting them up, or sending them back, and looking around for the best credit deals offered. There was a growing awareness of credit card abuse and of the increased cost of credit.<sup>31</sup>

There was also a study on the characteristics of credit card users and non-users. Discriminant analysis was applied to a sample of 825 holders of a bank credit card in the United Kingdom in order to examine the characteristics of credit card users and non-users. Those most likely to use the card included: 1. those aged 30-40, 2. those with salaries of at least £14,700 in 1986-1987 prices, 3. those with an account at the issuing bank for 4-5 years, 4. those who had lived at the same address for 2-3 years, and 5. those

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<sup>31</sup> Andrews, David, "Credit: The New Puritanism," Credit Management (UK), Jul. 1989, pp. 34-35.

who were owners of their own homes, who lived in rented furnished accommodations, or who lived with their parents. Those least likely to use their card included: 1. those aged 60 or over, 2. those with an income of less than £2,200, 3. those who held an account with the bank for less than 6 months, 4. those who had lived at their present address for 20 or more years, and 5. those who lived in rented unfurnished accommodations.<sup>32</sup>

### 3.3 Overview of the Credit Card Market

#### 3.3.1 Global Market

##### Industry competition

The credit card market emerged in the mid-1920s. The first type of credit card was actually a private label card issued by a few hotels, large department stores, and gasoline stations. The first one was issued by an oil company in the USA in 1924. In 1949, the Diners Club promoted a "dual party credit card plan". Diners Club acted as a credit reference agency to guarantee the charges made on the card.<sup>33</sup> Afterwards, bank cards were issued and occupied the market within a very short period of time. The first bank card was

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<sup>32</sup> Crook, J. N., R. Hamilton and L. C. Thomas, "Credit Card Holders: Characteristics of Users and Non-Users," Service Industries Journal, Vol. 12, Iss. 2, Apr. 1992, pp. 251-262.

<sup>33</sup> Fenier, Charles, "From Shoppers' Plate to Flexible Friend," Credit Management (UK), Nov. 1989, pp. 29-31.



issued by Franklin National Bank in 1951. The concept of revolving credit was also introduced. The card issuing banks provided a fixed line of credit to each customer, who could then spend up to the limit.

In 1966, Bank of America started to sell licenses to banks to issue BankAmericard in order to expand the business. This started the creation of a brand identity of credit card. In 1970, the National BankAmericard Inc. was established by banks to promote the BankAmericard programme. In 1977, National BankAmericard Inc. was renamed Visa USA, and the name of BankAmericard was changed to Visa.

The formation of Interbank Card Association in 1966 laid the foundation for MasterCard. This association heavily promoted the Mastercharge Card, which was then widely accepted all over the world. Mastercharge changed its name to MasterCard in 1979 to indicate that it was a credit card, rather than a charge card.

The present global credit card market is dominated by four major brands - namely, Visa, MasterCard, American Express, and Diners Club. Visa and MasterCard operate under the concept of revolving credit, that is, the cardholder is provided with an option to pay off part, rather than all, of the outstanding debt. The American Express and Diners Club cards are actually charge cards, which involve customers settling their bills in full on each monthly settlement date, while there is no preset spending limit.

Different brands have different positioning strategies. Visa and MasterCard have been well known as good cards for shopping or dining out, while American Express and Diners Club are travel and entertainment cards designed for people who do a lot of travelling and often entertain people on business. However, in recent years, more leisure travellers are choosing Visa and MasterCard, especially when the card is gold. While American Express is still unrivaled for corporate and business travel, it is losing the clear advantages it once offered.<sup>34</sup>

Basically, Visa and MasterCard have dominated the mass retail market for many years (refer to Table 3.1). In the worldwide credit card market with a total sales volume of US\$880 billion, Visa claimed to have a market share of 52%.<sup>35</sup> In 1992, there were about 343 million Visa cardholders throughout the world. The sales volume had reached US\$393 billion, a 16% increase over 1990.<sup>36</sup> The sales volume of MasterCard grew 12.5% during the year to US\$220.9 billion.<sup>37</sup> Visa and MasterCard are accepted in more than 9 million locations worldwide. In contrast, American Express cards can only be used in 3.4 million locations.<sup>38</sup> The reason why

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<sup>34</sup> Sims, John, "The Credit Cards You Need Most When You Hit the Road," Money, Vol. 20, Iss. 7, Jul. 1991, pp. 131-132.

<sup>35</sup> "Visa去年營業額創新高," 信報, 1993年3月9日, 第七頁。

<sup>36</sup> Duncan, Fergus, "Visa Sales Volume Hits Record \$23b," Hong Kong Standard, 7 Mar. 1992.

<sup>37</sup> Barchard, David, "Credit and Charge Cards," Financial Times, 15 Jul. 1992.

<sup>38</sup> Sims, John, "The Credit Cards You Need Most When You Hit the Road," Money, Vol. 20, Iss. 7, Jul. 1991, pp. 131-132.



American Express cards are accepted in far fewer outlets is that the commission charged is much higher than its competitors. The commission charged by American Express for each transaction ranged from 3% to 5%, while MasterCard and Visa rates averaged 1% to 2%.<sup>39</sup>

Diners Club's worldwide merchant base has increased from 1.85 million in 1990 to 2.1 million in 1991. Transaction volume rose 12.5% to US\$18 billion on 7 million cards.<sup>40</sup>

TABLE 3.1  
COMPETITION IN GLOBAL CREDIT CARD MARKET, 1990

	MasterCard	Visa	JCB	AmEx
Cards in circulation (millions)	166.8	248.5	18.5	36.5
Gross Volume (US\$ billion)	195	322	20.4	--

Source : Savic, Bob, "Asia's Credit Card Business Goes Upmarket," Asian Finance, 15 Mar. 1991.

There are some other brands circulating in the global market. For example, the JCB card, launched by the Japan Credit Bureau, has been the market leader in Japan, and it holds about 40% of the Japanese credit card market.<sup>41</sup>

<sup>39</sup> Soeder, John, "The American Express Revolution," Restaurant Hospitality, Vol. 75, Iss. 5, May 1991, pp. 28-29.

<sup>40</sup> Lucas, Peter, "Diners Club's Economy Drive," Credit Card Management, Vol. 5, Iss. 2, May 1992, pp. 38, 40.

<sup>41</sup> Chow, Lotte, "Japan's Top Card Wants More of the Hong Kong Action," Hong Kong Standard, 20 Aug. 1990.

Nowadays, credit cards serve two distinct functions for consumers; one is as a means of payment, and the other is as a source of credit. Card organizations, hence, believe that consumers who use a credit card primarily as a payment device will focus on the level of the annual fee, the length of the grace period, and the level of authorized charges. On the other hand, consumers who view a credit card as a debt instrument will consider interest rate charges as more critical.<sup>42</sup>

Besides, what makes consumers who have five or six credit cards use one rather than another when making a purchase is also an important consideration for the card organizations. According to Scott P. Marks of First Chicago Corp., a generous credit limit, quality customer service, fair fees, and a fair interest rate are the factors that count at the point of sale. Kathleen E. Munen of Discover Card Services believes that a reminder at the point of sale that a card is accepted is a significant marketing aid. Lower interest rates, cash advance checks, and sweepstakes are some of the marketing promotions used by banks.<sup>43</sup>

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<sup>42</sup> Canner, Glenn B. and Charles A. Lockett, "Developments in the Pricing of Credit Card Services," Federal Reserve Bulletin, Vol. 78, Iss. 9, Sep. 1992, pp. 652-666.

<sup>43</sup> Lunt, Penny, "What Boosts Card Usage," ABA Banking Journal, Vol. 84, Iss. 7, Jul. 1992, pp. 82-85.



## Marketing strategies

Visa International is pursuing its vision of the preferred consumer payment system company, displacing cash and cheques. The ultimate goal is to give consumers complete, fast, efficient, low-cost access to the full range of their financial resources, regardless of where they happen to be.<sup>44</sup> Visa makes use of two strategies to compete. The first one is to increase the number of cardholders by expanding into new markets such as Taiwan. In recent years, Visa International has begun its vast development into the Asia-Pacific region, which includes Japan, Singapore, Taiwan, Korea, Australia, Hong Kong, etc. According to H. Robert Heller, President and Chief Executive Officer of Visa USA, there are two directions in which Visa wants to grow: new markets where the card is not used, such as supermarkets, and cheque and cash replacements.<sup>45</sup>

The second strategy is to encourage its cardholders to pay by Visa. Visa has tried to compete with American Express in the upscale market by putting more emphasis on the travel and entertainment functions of the Visa card. To do so, Visa has extended its connections with hotels, resorts, airlines, and travel agencies to improve its travel network.

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<sup>44</sup> Christoffersen, J. M., "Putting Consumers First," Credit World, Vol. 78, Iss. 2, Nov./Dec. 1989, pp. 29-33.

<sup>45</sup> Bennett, Robert A., "Visa's Big Worry: Becoming a Monopoly," United States Banker, Vol. 102, Iss. 2, Feb. 1992, pp. 20-29.

Visa has also made use of a 'source-destination market programme' to promote its business. Source market denotes those regions with a large number of people who like to travel abroad, such as the US, UK, Japan, Taiwan, Korea, and Australia. Destination market denotes those regions to which people like to travel, such as Singapore, Thailand, and Hong Kong. Visa International has joined with tourism authorities to lift the image of credit cards from use as everyday retail cards to more up-market travel and entertainment functions, with the hope that the spending in the destination region by Visa cardholders will increase. For example, Visa has cooperated with the Hong Kong Tourist Association in promoting the territory as a tourist destination in Japan.

In order to differentiate itself from its competitors, Visa has put much emphasis on promoting its company image, such as by subsidizing the Olympic games. Besides, it has also shifted its development strategy from cooperating with banks to promote Visa cards to encouraging clients to pay with credit cards.

Visa has also started promoting at the merchant level. Its strategy is to focus its advertising campaigns on merchants in destinations which do not accept American Express.

MasterCard's greatest challenge is to differentiate itself from Visa. In order to build real brand distinction, MasterCard puts the emphasis on value and tries to provide superior services to member banks, merchants, and consumers.



For example, MasterCard will sponsor the 1994 World Cup in order to launch a new global identity for its credit cards. This sponsorship is designed to build brand awareness, stimulate card acquisition, provide business opportunities to its member banks, and enhance MasterCard's image as a global payment system.<sup>46</sup> Presently, MasterCard is becoming aggressive in the first-card market, such as college campuses.<sup>47</sup>

In order to extend its distribution network, MasterCard has adopted the strategy of bringing non-bank institutions into the system. For example, AT&T, which initially had much growth with Visa, has now converted almost exclusively to MasterCard, due to the tight restrictions on operations imposed by Visa.

The American Express card is targeted on the male-oriented travel and entertainment segment, thus sidestepping direct competition from Visa or MasterCard. It has been marketed as an essential second card and a symbol of those who have achieved success.<sup>48</sup> In fact, American Express has tried to convince consumers that its card is different from, and better than, bank cards in meeting the financial needs of the affluent, the aspiring affluent, and business travellers.

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<sup>46</sup> Fahey, Alison, "MasterCard Scores," Advertising Age, Vol. 62, Iss. 13, 25 Mar. 1991, pp. 3, 45.

<sup>47</sup> Levin, Gary, "MasterCard's Plan: Dimsey Calls for Stronger Branding." Advertising Age, Vol. 63, Iss. 10, 9 Mar. 1992, pp. 4, 48.

<sup>48</sup> Tynan, Kevin B., "Price and Product Second to Positioning at American Express," Bank Marketing, Vol. 22, Iss. 9, Sep. 1990, pp. 58-59.

In order to reinforce this image, its commercials present the message that the American Express card is for free-thinking, financially responsible individuals who know how to spend their money.<sup>49</sup> The firm's focus is on building deeper relationships with card members and the service establishments.<sup>50</sup> American Express's overall strategy is to stress the merchant side. It tries to attract those upscale cardholders, who spend heavily with their cards, in order to justify its higher charge on merchants. American Express charges an average of \$3,409 a year on merchants, versus Visa's \$1,122 per card.<sup>51</sup>

According to James D. Robinson, Chief Executive Officer of the American Express Co., American Express will focus on the level of quality service provided. Its strategy is to be a low-cost, high quality provider of services in the market niches it chooses to serve, and it has a variety of incentive programmes geared toward contributions to quality.<sup>52</sup> For example, assistance with foreign travel has long been associated with American Express. Aids include a worldwide travel office network, travellers cheques, assured reservations, plus global assistance. In 1991, American

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<sup>49</sup> Giesen, Lauri, "Behind AmEx's Quirky New Campaign," Credit Card Management, Vol. 4, Iss. 12, Mar. 1991, pp. 107-110.

<sup>50</sup> Chakravanty, Subrata N., "A Credit Card is Not a Commodity," Forbes, Vol. 144, Iss. 8, 16 Oct. 1989, pp. 128-130.

<sup>51</sup> Spiro, L. N., "AmEx Fights to Discourage Defectors," Business Week (Industrial/Technology Edition), Iss. 3220, 1 Jul. 1991, pp. 56-58.

<sup>52</sup> Deutsch, B. I. "A Conversation With ..... James D. Robinson III," Bank Marketing, Vol. 22, Iss. 9, Sep. 1990, pp. 28-32.



Express lowered its rates for the first time since the late 1970s, in reaction to merchants' dissatisfaction about the high commission charged.<sup>53</sup>

Diners Club puts its emphasis on high quality service. It has also tried to make the card more appealing to business travelers on a tight budget to avoid head-on competition with American Express. So it targets on economy hotels and moderately priced restaurant chains. Moreover, Diners Club tries to provide more spending and payment guarantees to merchants.

#### Recent developments

Different markets are in different stages of development. Generally speaking, the American and European credit card markets are well developed, as compared to the Asian regions.

With rapidly rising affluence, the Asia-Pacific region is expected to be the credit card industry's star performer in the immediate future. In 1991, the number of Visa and MasterCard cards in the region reached 45.5 million and 32 million, respectively, equal to 17.5% of their combined total.<sup>54</sup> And Taiwan is believed to be the market of greatest potential.<sup>55</sup>

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<sup>53</sup> Sympson, Ron, "Card Games," Restaurant Business, Vol. 91, Iss. 13, 1 Sep. 1992, pp. 68-76.

<sup>54</sup> Barchard, David, "Credit and Charge Cards," Financial Times, 15 Jul. 1992.

<sup>55</sup> "Visa重心轉亞洲倚重台灣," 信報, 1992年9月27日。

Facing keen competition in the industry, card organizations have tried very hard to expand their businesses. For example, Visa International has tried to develop into new markets where the card is not used. It has tested the use of Visa cards in fast food retail shops in the USA, such as Arby's and Wendy's restaurants. On the other hand, Visa has started to approach the debit card market by suggesting that its member banks identify their ATM cards with the classic Visa logo.<sup>56</sup>

Card organizations have been searching for new ways to encourage more transactions from the same card base. Cash advance service is one method.<sup>57</sup> Besides, they offer a variety of incentives to encourage cardholders to use their cards instead of a competitor's. For example, American Express started the enhancement war in 1987 by offering a purchase protection plan. Visa and MasterCard countered this move by offering extra laden gold versions of their regular cards.<sup>58</sup>

Another trend is the development in the affinity/co-branded card, where a retailer or service company with a wide customer base negotiates to have its name included on the card. The co-branding policy marks the first real split in

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<sup>56</sup> Deutsch, B. I. "A Conversation With ..... James D. Robinson III," Bank Marketing, Vol. 22, Iss. 9, Sep. 1990, pp. 28-32.

<sup>57</sup> Lucas, Peter, "The Issuers' New Dash for Cash," Credit Card Management, Vol. 3, Iss. 11, Feb. 1991, pp. 34-40.

<sup>58</sup> Bagot, Brian, "Brand Report: Charged Up," Marketing and Media Decisions, Vol. 25, Iss. 4, Apr. 1990, pp. 73-78.



market strategy between MasterCard and Visa.<sup>59</sup> Visa wants to remain primarily a bank card, and leaves the decision to co-brand up to the issuing banks. MasterCard, on the other hand, actively promotes these arrangements as another market segmentation programme.<sup>60</sup>

Helene Duffy (1990) suggested that to retain existing cardholders and attract new ones, banks must assess the lifestyles and product preferences of various demographic segments. The challenge to card organizations in the near future is to tailor cards to even smaller market segments and to bundle them with customerized enhancements. Besides, markets which still have growth potential for the credit card companies are college students, 60-plus senior citizens, and business travel and entertainment.<sup>61</sup>

### 3.3.2 Hong Kong Market

#### Industry competition

Hong Kong is still a market of great potential. On average, each credit cardholder only holds 1.6 credit cards, compared with five credit cards owned by each American

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<sup>59</sup> Lefton, Terry, "MasterCard's New Wheels," Brandweek, Vol. 33, Iss. 37, 5 Oct. 1992, pp. 17-20.

<sup>60</sup> Arend, Mark, "Card Associations Weigh Co-Branding Merits," ABA Banking Journal, Vol. 84, Iss. 9, Sep. 1992, pp. 84-86.

<sup>61</sup> Duffy, Helene, "Marketing for Survival: Credit Card Strategies for the 90s," Bank Management, Vol. 66, Iss. 4, Apr. 1990, pp. 44-47.

cardholder.<sup>62</sup>

In 1991, there were a total of 3 million credit cards circulated in Hong Kong, a 20% rise from 1990. According to Mr. Anthony Mak, Asia-Pacific Member Relations Manager of MasterCard International, the present number of credit cards circulated in Hong Kong has reached 3.5 million. In Hong Kong, almost all card issuing banks issue both Visa and MasterCard. A list of the major card issuing banks is given in Appendix 1.

Visa has been the brand leader in Hong Kong. Ninety percent of Hong Kong credit cardholders own a Visa card.<sup>63</sup> In 1991, the total number of Visa cards in Hong Kong was about 1.95 million. Cardholders' spending in 1991 hit a record high of HK\$29.6 billion, a 26% rise over 1990, and the number of outlets accepting Visa was 31,659.<sup>64</sup> The number of Visa cardholders had reached 2.4 million in 1992, a 24% increase from 1991.<sup>65</sup>

American Express is second to Visa. In 1991, there were 400,000 American Express cards circulated in Hong Kong, which were accepted by about 17,000 outlets.<sup>66</sup> MasterCard follows

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62 “雖是亞洲區信用卡業務翹楚，香港客戶平均只持有張半卡，”  
信報，1992年11月5日。

63 浩股，“Visa總裁談信用卡發展史，”經濟一週，1993年1月18日。

64 “本港信用卡數量急增，”信報，1991年2月5日。

65 “VISA去年營業額創新高，”信報，1993年3月9日，第七頁。

66 “經濟放緩僱主更須控制開支，運通將主力推銷公司附屬卡，”  
信報，1991年1月21日。



Visa and American Express. Around 310,000 MasterCardS were circulated in 1989.<sup>67</sup>

As the first stage of its global expansion strategy, JCB launched its first gold card outside Japan and distributed it through HongkongBank in 1991. The JCB gold card is targeted at young business executives. All the existing JCB ordinary cards in Hong Kong will be upgraded to gold cards.

### Recent developments

The gold card is a very important concept in Hong Kong. The proportion of Visa gold cards in Hong Kong is greater than any other market. Apart from its prestigious image, travel-related insurance seems to be a tangible advantage of the gold over normal cards. Most gold cards in Hong Kong offer travel accident insurance of up to US\$160,000.<sup>68</sup>

In order to penetrate the market, many card issuing banks are now targeting on the education sector, by offering high annual fee discounts in order to attract students to apply for their credit cards. Citibank even pioneered the student market by lowering the qualifying age from 21 to 18.

The corporate card is also a new business. American Express has been aggressively promoting its corporate card in the region. The card has been designed for corporations to keep tight control over travel and entertainment expenses.

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<sup>67</sup> Beck, Catherine, "HK is Buyer's Market for Credit Cards," South China Morning Post, 19 Apr. 1990.

<sup>68</sup> Ibid.

Facing keen competition, some card issuers have adopted the concept of niche marketing. For example, a few years ago, Standard Chartered Bank introduced My Card, a credit card specifically designed for the working female. The affinity card has also been introduced recently. For instance, the International Bank of Asia has issued the Morning Star MasterCard and the Jusco Visa Card, and the Mobil Privilege Card has been issued by HongkongBank. In addition to functioning as a store card, these affinity cards are also accepted at all MasterCard/Visa card outlets worldwide. However, the development of the affinity card in Hong Kong is still in its infancy.<sup>69</sup>

### 3.3.3 United Kingdom Market

#### Industry competition

The first charge card in the United Kingdom was issued by Diners Club in 1951. In 1966, Barclays Bank launched Barclaycard, which required cardholders to settle their accounts in full each month. Six years later, the other three major retail banks jointly launched the Access card. Access then linked into the MasterCard network through its connection with MasterCard's EuroCard Subsidiary. The United

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<sup>69</sup> "Co-branded Card - A New Force Coming to the Force," Security Journal, Mar. 1990, pp. 46-47.



Kingdom has already developed into a mature credit card market.

The two principal credit cards in the UK are Visa and MasterCard. A list of the card issuing banks can be found in Appendices 2 and 3. Visa is the market leader in the UK market (refer to Table 3.2). There were 14.5 million Visa cardholders and 9.3 million MasterCard holders in the United Kingdom in 1991.<sup>70</sup> The decrease in the number of cardholders in 1991 was caused by the introduction of annual charges.

TABLE 3.2  
BANK CREDIT CARDS IN ISSUE, 1980-90 (MILLIONS)

	Visa	MasterCard
1980	6.8	4.9
1981	7.7	5.4
1982	8.5	6.1
1983	9.0	6.8
1984	9.9	7.6
1985	11.1	8.5
1986	12.1	9.8
1987	13.1	11.4
1988	14.3	11.5
1989	16.5	12.1
1990	17.6	12.3
1991	14.5	9.3

Source : British Banker's Association, extracted from Credit and Other Finance Cards, Key Note Publications Ltd, 1992.

<sup>70</sup> Credit and Other Finance Cards, Key Note Publications Ltd, 1992.

However, the number of outlets is the area in which MasterCard has persistently led Visa since 1983. MasterCard was accepted in 472,000 outlets, while Visa was accepted in 396,000 outlets in 1991. Comparatively speaking, the acceptance of charge cards is relatively lower. The number of outlets accepting American Express and Diners Club were 170,00 and 120,000, respectively.

American Express had about 1.1 million cardholders in the United Kingdom in 1991. Its rival, Diners Club, had about 250,000 customers, and this figure has been stable for many years.

Apart from its ordinary Green Card and Gold Card, American Express launched the Platinum Card in the United Kingdom in February 1991. The card is aimed at those who do not need to examine the cost too closely, but welcome the personal services. American Express also introduced the Optima card into the UK market, which involves a revolving credit facility, so as to compete directly with other credit cards such as Visa and MasterCard.

### Recent developments

Originally, there was no annual fee charged on credit cards in the United Kingdom. Due to the recession of the UK economy, as well as the fact that credit cards have been less profitable, Lloyds Bank took the lead to introduce annual charges. Many consumers holding numerous cards simply threw



some of them away.<sup>71</sup> This led to a sharp decline, and the number of credit cards in circulation dropped from 30 million in 1990 to around 26 million in 1992.<sup>72</sup> Consumers also reacted by trading up to gold cards, which offer more services for the annual fee.<sup>73</sup> Now the card organizations and the issuing banks are facing keen competition from other payment methods such as debit cards and cheques.

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<sup>71</sup> "Financial Marketing: Card Tricks," Marketing (UK), 12 Oct. 1989, pp. 33-34.

<sup>72</sup> Barchard, David, "Credit and Charge Cards," Financial Times, 15 Jul. 1992.

<sup>73</sup> Hawksley, F. and Robin Dunham, "What a Flexible Friendship Can Cost; Plans for Plastic Protection," Accountancy, Vol. 108, Iss. 1180, Dec. 1991, pp. 100-102.

## CHAPTER IV

### METHODOLOGY

#### 4.1 Research Design

Exploratory research was conducted at the beginning of the study in order to increase the researchers' familiarity with the research problem by gathering more information about the credit card market and by clarifying unclear concepts.

In the exploratory research, the present and future marketing strategies adopted by worldwide card organizations were found. In addition, the criteria for card selection by cardholders in the United Kingdom and Hong Kong were also found in order to gain insights for constructing a questionnaire for future use.

Literature review was a primary source of gaining a brief understanding of the world credit card market. Besides, interviews with the card organizations, such as MasterCard, were conducted in order to understand how these companies see the cardholders. Interviews were also conducted with several cardholders to get a more in-depth knowledge of their attitudes toward different brands of



credit cards. It helped the researchers to develop several hypotheses which could be tested quantitatively and to generate information for structuring a more effective consumer questionnaire.

Descriptive research was also used for this research to identify the characteristics of the credit cardholders. The cardholders who had more favorable and positive attitudes toward using credit cards as a payment method were distinguished with respect to their sex, age, educational level, household income, etc. In addition, the use of descriptive research could be used to estimate the proportion of cardholders in these two countries who showed various degrees of acceptance toward different kinds of cards. Last, but not least, specific predictions about the potential of credit cards in these two countries could be made so that recommendations with respect to the most appropriate marketing strategies for the card organizations could be given.

There were four null hypotheses in this descriptive research. The null hypotheses and the alternative hypotheses were as follows:

Null Hypothesis (1):                    There are no differences between the usage patterns of credit cardholders in the United Kingdom and Hong Kong.

Alternative Hypothesis (1): There are statistically significant differences between

the usage patterns of credit cardholders in the United Kingdom and Hong Kong.

Null Hypothesis (2):

There are no differences between the major selection criteria of credit cardholders in the United Kingdom and Hong Kong in selecting the brands of credit cards they would like to hold.

Alternative Hypothesis (2):

There are statistically significant differences between the major selection criteria of credit cardholders in the United Kingdom and Hong Kong in selecting the brands of credit cards they would like to hold.

Null Hypothesis (3):

There are no differences between the attitudes of credit cardholders in the United Kingdom and Hong Kong toward using credit cards as a payment method.

Alternative Hypothesis (3):

There are statistically significant differences between the attitudes of credit cardholders in the United Kingdom and Hong Kong toward using credit cards as a payment method.



Null Hypothesis (4): There are no differences between the demographic characteristics of the heavy credit card users in the United Kingdom and Hong Kong.

Alternative Hypothesis (4): There are statistically significant differences between the demographic characteristics of the heavy credit card users in the United Kingdom and Hong Kong.

There was more than one dimension in each hypothesis, and the null hypothesis would be accepted only when all dimensions showed no difference between countries. If all of these null hypotheses were to be rejected by the findings, it would mean that the usage patterns, selection criteria, attitudes toward credit cards, and demographic characteristics of credit cardholders in these two countries were significantly different. Hence, the worldwide card organizations should be aware of cultural differences and consider whether a global marketing programme would be feasible in promoting their credit cards in all countries.

In the descriptive study, cross-sectional analysis was used. A longitudinal study was not undertaken because the change in the attitudes of the credit cardholders was not studied. Instead, only their current attitudes were investigated. Therefore, the cross-sectional analysis would be appropriate, and hence the technique chosen to achieve the objectives was the sample survey.

## 4.2 Data Collection

### 4.2.1 Secondary Data Collection

The research commenced with a search for relevant and useful secondary data. The study of secondary data provided a clearer picture about the background information of this study. The secondary data also gave insights about the specific information which was to be collected. Two kinds of secondary data were used, internal and external.

#### Internal secondary data

In this study, the kind of internal secondary data used were the circulation records of different credit cards. From these figures, some insights into their performance in different markets could be obtained. Their annual reports were one of the main sources of internal secondary data.

#### External secondary data

The major type of external secondary data were past research reports done on the same or similar topics as this research, both in Hong Kong and the United Kingdom. A library search using the ABI/Inform system yielded some journals, theses, projects, and newspaper articles on relevant topics.



#### 4.2.2 Primary Data Collection

Although searching secondary data only took a short period of time and involved little cost, primary data had to be collected because of the problem of fit. As the selected topic had never been studied before, all secondary data which was collected was for other purposes, so information which fit the problem perfectly could not be found.

In this research, the main type of primary data to be obtained were the attitudes of credit cardholders toward credit cards in the United Kingdom and Hong Kong. That is, the focus was on credit cardholders' preferences, inclinations, views, or feelings toward credit cards. Since attitudes should be related to behavior, when a cardholder has a favorable attitude toward a particular credit card, he/she should be more inclined to apply for and hold that card rather than any others. Attitudes are considered to be the forerunners of behavior.

Among the two basic means for collecting primary data, i.e., observation and communication, the communication method was chosen. Observation is limited in scope, and is not suitable for attitude measurement.

The questionnaire was structured and undisguised. That is, the questions were presented with exactly the same wording, in exactly the same order, to all respondents. The purpose of the study was clearly communicated to the respondents because it should not significantly change their

attitudes. The questionnaire was designed in English and translated into Chinese. The English version was used in the United Kingdom, while the Chinese version was used in Hong Kong. Both versions were pretested by using a group of 12 people. The method of administration for this research was personal interview. In the United Kingdom, the interview was carried out in streets near three underground stations, while in Hong Kong, mall intercept in six districts was chosen.

The major forms of response used in this questionnaire were multichotomous questions and scales. For the multichotomous questions, respondents were asked to choose the alternatives that most closely corresponded to their position on the subject. For the scaling questions, the itemized rating scale was used. The itemized scale limited the possible response categories. It produced more reliable ratings because clear definitions of categories were given. A four-point scale excluding a scale of "no opinion" or "don't know" was used in attitude measurement to force the respondents to choose between positive and negative answers. This prevented the possibility of statistical regression, i.e., respondents answering as they believe the "average man" would. However, five-point scales representing the level of importance was used for the respondents to indicate the importance of several considerations when they applied for a credit card.



### 4.3 Sampling

#### 4.3.1 Sampling Method

The target population included credit cardholders in the United Kingdom and Hong Kong aged 18 and above. The sampling frame was those who happened to be where the survey was being conducted. Nonprobability sampling was used, and quota sampling was chosen. Quota sampling was used because it could ensure the sample to be representative by selecting sample elements in such a way that the proportion of the sample elements possessing certain characteristics were approximately the same as the proportion of the credit cardholders with the characteristics in the population. In this study, sex and age were used to set quotas, as shown below.

	<u>Male</u>	<u>Female</u>
Age 30 or below	50	50
Age over 30	50	50

As no relevant data about the cardholder profile of the two markets were available, the total number of respondents was equally divided to set the quotas based upon these two variables.

#### 4.3.2 Sample Size

The following figures were assumed in the calculation of sample size:

Confidence level :	95%	( $Z = 1.96$ )
Level of precision :	7%	( $H = 7\%$ )
Proportion of credit cardholders sampled in one country who have significantly different usage patterns, card selection criteria, attitudes toward credit cards, and demographic characteristics:	50%	( $p = 50\%$ ) ( $q = 50\%$ )

The proportion of credit cardholders sampled in one country who had significantly different attitudes toward credit cards was estimated to be 50%. It was the most conservative estimate. The sample size calculated would then reflect the "worst of all worlds". There was a prediction that the credit cardholders were heterogeneous rather than homogeneous. Therefore, in order to get a more representative result, a larger sample size was required. Since the largest sample size can be obtained by estimating  $p$  equal to 50%, this proportion was chosen.



The equations used for calculating the sample size were

$$H = ZS_p \quad \text{and}$$

$$S_p = [p(1-p)/n]^{1/2}$$

By using the three assumptions and the two equations stated above, the sample size required was:

$$7 = 1.96S_p$$

$$S_p = 7/1.96$$

$$= 3.57$$

$$S_p = [p(1-p)/n]^{1/2}$$

$$= [50(1-50)/n]^{1/2}$$

$$3.57 = [2500/n]^{1/2}$$

$$12.76 = 2500/n$$

$$n = 2500/12.76$$

$$= \underline{\underline{196}}$$

Therefore, the number of questionnaires to be completed by credit cardholders in one country was 200.

#### 4.4 Construction of Questionnaire

The English version of the questionnaire (Appendix 4) consisted of 4 pages and began with a paragraph which briefly introduced the research to the respondent and asked for his/her cooperation. The questionnaire consisted of 4

sections. Section I was composed of multichotomous questions, and respondents were either asked to select the one response category that could best answer the question, or to rank the three most appropriate options for the question. The first question was a screening question to make sure that all respondents held a credit card.

Section II used a five-point scale to ask the cardholders to rate the importance of some considerations when they were choosing a credit card to which they would apply. By asking cardholders in two countries to rate the same set of factors, cardholders in different countries who have different perceptions toward their importance could be identified. Section III used a four-point Likert scale and asked cardholders to indicate the extent to which they agree or disagree with statements about credit cards. Some of the statements were adopted from the study conducted on the Hong Kong credit card market conducted by Hsu, Ho, and Sin.<sup>74</sup> The statements in this section could be grouped into five categories, convenience, condition of usage, effect of having credit cards, cost of using credit cards, and image of the credit cards. By comparing the responses from credit cardholders in these two countries, we could see if they had the same attitudes toward credit cards, despite cultural, historical, or economic differences, etc.

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<sup>74</sup> 許丹林, 何淑貞, 冼日明, “香港信用卡市場: 一個初步的實証研究,” 香港企業環境管理, 1991年, 第153至169頁。



Section IV asked for personal information about the respondents, and multichotomous questions were again used. The information gathered here could help in determining whether the cardholders who showed favorable attitudes toward using credit cards as a major payment method had common demographic characteristics, such as age, educational level, etc.

After the questionnaire was completed, precoding was immediately performed. The precoding was used to facilitate the coding and the entering of the data collected into the computer for further analysis after all the questionnaires were completed.

A pretest of the questionnaire was carried out in order to test how the questionnaire performed under actual conditions of data collection so unintended implications from questions could be minimized. The pretest could be used to assess both individual questions and their sequencing. Twelve people were invited to participate in the pretest, which was conducted with personal interviews. The main objective of the pretest was to see if they had problems in understanding the questions or the options, and to find out how much time was needed in completing the questionnaire. After collecting their responses and comments, the questionnaire was revised accordingly.

The questionnaire was translated from English to Chinese by the researchers, and a back-translation was done by a third party to ensure that the Chinese and English versions

were comparable. A similar procedure of pretesting was also done for the Chinese version. The Chinese version of the questionnaire was included in Appendix 5.

#### 4.5 Field Work

As this was cross-cultural consumer research, the questionnaire was completed by cardholders in the United Kingdom, as well as in Hong Kong. Basically, the data collection process was the same in these two countries, except for the language used and the choice of location for the personal interviews.

Questionnaires were distributed simultaneously in the United Kingdom and Hong Kong during February and March of 1993. In Hong Kong, questionnaires were distributed near shopping malls in six districts, as shown below:

Hong Kong Island : Causeway Bay, Central

Kowloon : Tsim Sha Tsui, Mongkok

New Territories : Tsuen Wan, Shatin

These six districts were selected to increase the coverage so that the chance of reaching every person in the population was greater. Around 35 questionnaires were completed at each location.

In the United Kingdom, questionnaires were only distributed in London because of the limited resources available. Three busy shopping regions were chosen, Baker



Street, Oxford Circus, and Knightsbridge. Around 70 questionnaires were completed in each region.

For both countries, interviews were conducted either at the exits of shopping malls or on the street. People who left the shopping mall or walked passed the interviewer on the street every ten minutes were invited for the interview. If that person refused to participate, the next available person was approached.

Interviews were conducted during various time periods on weekdays and weekends to increase the targets' chance of being included.

Two hundred questionnaires were completed in each country, resulting in a total sample size of 400.

## 4.6 Data Analysis

### 4.6.1 Editing

The analysis of the data started with the editing process, which was done in two stages. The field edit was done at the end of each data collection day by the interviewers themselves in order to detect the most glaring omissions and inaccuracies in the data.

The field edit was followed by the central office edit. In Section III of the questionnaire, there were both positive and negative statements about the ownership or usage of credit cards. Therefore, the most important thing to edit

was reversal of some statements to ensure all of them were in the same direction. The responses in Section III of the questionnaire which had been reversed included Q32, Q36, Q38, Q43, Q45 and Q46. Then, if a respondent got a higher score in a statement, he/she would be more favorable toward using credit cards.

#### 4.6.2 Coding

The editing was then followed by coding, i.e., the raw data were transformed into numerals in order to facilitate further analysis, such as tabulation and counting. Coding for this questionnaire was very simple, as the questions were closed and mainly scaled. Moreover, precoding had been done in advance. Therefore, coding was relatively easy and should be very consistent, irrespective of who did the coding.

The first thing to code was a 3-digit number, assigned to each questionnaire for identification purposes. For Sections I and IV, numerals corresponding to the choices the respondents selected were assigned. For Section II, numerals 1 to 5 were assigned to each statement, according to the degree of importance chosen by the respondents. For Section III, numerals 1 to 4 were assigned to each statement, according to the extent of agreement or disagreement.



#### 4.6.3 Methods of Analysis

The statistical software, SPSS/PC+ (The Statistical Package for Social Sciences - PC version) was used for data input and analysis.

In order to develop a composite measure of the respondents' attitudes, statements in Section III had been grouped into five categories, namely, convenience, condition of usage, effect of having credit cards, cost of using credit cards, and image of the credit cards. The score of each respondent on each category was calculated by averaging his/her scores on the composite statements. The composite statements of each category was shown below:

Convenience:	Q32, Q41, Q44
Condition of usage:	Q33, Q40, Q46
Effect of having credit cards:	Q34, Q37, Q39
Cost of using credit cards:	Q35, Q42, Q45
Image of the credit cards:	Q36, Q38, Q43

As Q47 did not relate directly to any of these five categories, it was analyzed individually.

For the category 'effect of having credit cards', the responses to two questions should be analyzed jointly. Those with unfavorable attitudes toward using credit cards should agree to both Q37 and Q39, so a new score was computed by taking into account the respondent's scores on these two statements. If the respondent agreed with Q37, then his/her new score would be equal to his/her score on Q39. If the

respondent did not agree with Q37, then his new score would be equal to his/her score on Q37, and his/her response to Q39 was irrelevant. The underlying logic was if a respondent believed that using credit cards would lead to a habit of 'using future money', he/she should also agree with the statement 'using future money is a bad habit' to show that he/she was unfavorable toward using credit cards. However, if he/she did not think that using credit cards would lead to such a habit, then he/she would show a favorable attitude toward using credit cards, regardless of how he/she felt about 'using future money'.

The average number of transactions and the average total amount of transactions were used as criteria to define the heavy users of credit cards. If a respondent either had more than 15 transactions per month, or spent more than HK\$5,000 per month with his/her credit cards, he/she would be defined as a heavy user.

The Hong Kong respondents and the United Kingdom respondents were analyzed separately to find out the situation of each market. Basically, simple tabulations and cross tabulations were used to summarize the data. For each question, the choice with the greatest frequency was the most preferred one. The percentage for each choice was also calculated. Moreover, mean scores were calculated for those interval variables. In the section on card selection criteria (Section II), a lower mean score implied that the described factor is a more important criterion for card



selection. However, in the section on attitudes (Section III), a higher mean score represented a more favorable attitude toward credit cards.

On the other hand, chi-square test, student-t test and F-test were used to test for significant differences between the responses of the Hong Kong sample and the United Kingdom sample. In order to have a clear presentation, profile analyses were used to give a graphical comparison of the responses of the two samples.

## CHAPTER V

### LIMITATIONS

In this section, all the limitations of this research were listed and they were separated into three categories: sampling control, information control, and administrative control.

#### 5.1 Sampling Control

As a list of all the credit cardholders in the United Kingdom and Hong Kong was not available, it was impossible to define the sampling frame. As a result, quota sampling, which was a kind of nonprobability sampling, was adopted. Hence, it was extremely difficult to estimate the sampling bias.

As mall intercepts and street intercepts were chosen for personal interviews, there were basically two issues affecting the ability to direct the inquiry to a randomly determined respondent. First of all, not everyone would shop at malls or pass the streets being chosen. The consequence was that only those who visited the particular mall or street in question had a chance of being included in the study.



Another issue was that a person's chances of being asked to participate depended on the likelihood of their being in the mall or on the street, and this all depended on the frequency with which they shopped or passed there.<sup>75</sup>

Another difficult task in this research was to encourage the suitable respondents to participate. Some people might not feel comfortable with the face-to-face personal interview, and they would tend to reject it. High refusal rate would lead to biased results.

## 5.2 Information Control

Both interviewee bias and interviewer bias were more likely to exist in personal interviews. The interviewee's perception of the interviewer would affect his/her willingness to complete the questionnaire. Besides, the interviewee could not work at his/her own pace, and the responses might not be carefully considered because there would be a certain urgency associated with giving a response.

Another problem concerned the translation of the questionnaire from English to Chinese. A Chinese version of the questionnaire was necessary for the Hong Kong market. Some wordings might be inconsistent in Chinese and English. However, back translation had been done in order to minimize the inconsistencies. Besides, there might be subtle

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<sup>75</sup> Churchill, G. A., Marketing Research: Methodological Foundations, The Dryden Press, 5th Edition, 1991, p. 332.

differences in certain words and/or concepts as perceived by different cultures, which might make the results biased. This kind of effect was usually difficult to measure. Moreover, it was observed that the United Kingdom respondents were inclined to select the most extreme options in the sections on card selection criteria and attitude measurement, while the Hong Kong respondents tended to select the less extreme choices. If these differences in response have been due to cultural differences rather than their actual opinions, the results would have been biased.

Finally, the four-point scales used in the questionnaire forced the interviewees to respond either positively or negatively. They prevented the interviewees from acting as an average person, i.e., statistical regression. However, potential problems might arise if the interviewees really fell into the neutral point or they did not have any opinion on a particular subject. These would affect the reliability and accuracy of the responses given.

### 5.3 Administrative Control

Interviewer bias might also exist because different interviewers may have asked questions and probed in different ways. However, certain measures were included in order to minimize the interviewer bias. For example, only two interviewers were used in each country to complete all questionnaires.



Compared with in-home interviews, respondents interviewed on the streets or in malls tended to be more time-conscious. As a result, the interviewing process typically needed to be shorter in time.

Lastly, due to resource and time constraints, responses given by participants interviewed in London were used to make inferences about the whole country. However, if there was a high level of national diversity, this inference would be inaccurate.

## CHAPTER VI

### FINDINGS AND IMPLICATIONS

The results of the consumer survey were summarized in this section and were separated into four sections; namely, usage patterns, card selection criteria, attitudes toward credit cards, and demographic characteristics of heavy users.

#### 6.1 Usage Patterns

As some of the results did not satisfy the basic requirement for the chi-square test, i.e., expected frequencies of any cells should be at least equal to 5, the findings of usage patterns of cardholders in these two markets were mainly based on tabulations. Results were summarized in Appendix 6.

In both markets, around 60 percent of the cardholders said that credit card was a convenient payment method as their most important reason for owning a credit card. Only 20 percent of them owned a credit card mainly for the purpose of credit. When educational level was taken into consideration, the higher educated group in the United



Kingdom held credit cards because they believed that it was a convenient payment method, while the lower educated group mainly used it as a credit instrument.

In terms of the number of credit cards they held, the majority of cardholders in both markets held only one credit card. The average number of credit cards held by one cardholder was similar in both countries, and was around 1.7.

Visa was the most common brand of credit card held by cardholders in both countries. Ninety percent of the cardholders in Hong Kong and 76.5 percent of the cardholders in the United Kingdom held at least one Visa card. Besides, the results also showed that the Visa card was the most frequently used brand in both markets, and the American Express Card was the second most frequently used.

The rankings of different brands according to cardholders' preferences were more or less the same in both markets. Visa was the most preferred one, followed by MasterCard and the American Express card. Both sexes in Hong Kong ranked Visa as their most preferred brand. However, more female cardholders preferred the American Express card, as compared to the male cardholders. Cardholders of all age groups in the United Kingdom chose Visa as their most preferred brand. However, MasterCard was more popular among the older age group, as compared to the other age groups.

There was a significant difference in the most important reason for the cardholders in Hong Kong and the United Kingdom to have more than one credit card. For the

cardholders in Hong Kong, the greatest percentage of them were more concerned about the incident that one credit card could not be used for any reason. However, for those in the United Kingdom, the majority of them said that they had more than one credit card because they believed that different brands would have different acceptance by different retailers/marketers. Moreover, some cardholders in the United Kingdom said that they held more than one credit card because one was specialized for business purposes only.

The differences caused by demographic variables seemed to be more significant in Hong Kong than in the United Kingdom. For cardholders of different sexes in Hong Kong, their most important reasons were slightly different. For males, they either wanted to have a larger total credit limit or were concerned about the different acceptance of different brands of credit cards by different retailers/marketers. For cardholders of different age groups in Hong Kong, their most important reasons were significantly different. The younger ones were concerned about having a larger total credit limit and the different acceptance of cards. The older ones were also concerned the different acceptance of cards, while the middle aged respondents wanted to ensure that another card was available when a card could not be used for any reason.

Although the majority of cardholders in both markets said that the average number of transactions was less than or equal to 5 per month, the difference in the percentages was



significant. Credit cards were less frequently used in Hong Kong than in the United Kingdom.

The greatest percentage of respondents spent \$501-\$2,000 per month with credit cards. There was a significant difference in the percentage of cardholders who spent over \$6,500. Thirteen percent of the respondents in the United Kingdom said that they spent over \$6,500, while only 4.5 percent of those in Hong Kong said that they did so.

The minimum amount of transactions was different between cardholders in these two markets. For Hong Kong credit cardholders, the majority of them said that their minimum amount was \$201-\$500; for those in the United Kingdom, the minimum amount tended to be lower.

For the repayment patterns in these two markets, most of the respondents said that they repaid the full amount every month. It indicated that credit cards were not mainly used as a credit instrument. The methods of repaying the outstanding credit balance used by cardholders in these two markets were significantly different. Autopay was the more commonly used method in Hong Kong, followed by mailed cheque. Mailed cheque or deposit of cash/cheque through branches of banks were equally preferred methods in the United Kingdom.

The payment methods preferred in these two markets were significantly different. Hong Kong respondents prefer to pay by cash, followed by credit card. UK respondents, on the other hand, indicated approximately equal preferences for

credit card and cash payment. Compared to Hong Kong, payment by cheque was more popular in the United Kingdom.

Cardholders with different demographic characteristics in these two markets had some differences in the choices of payment methods. For cardholders in Hong Kong, differences in age, educational level, and household income led to differences in the most preferred payment method. The majority of the cardholders in Hong Kong who were between the ages of 31 to 45 preferred cash payment, while those who fell into other age groups tended to prefer payment by credit card more. The preferences for payment by cash or credit card were the same for the lower educated group, and were similar for the higher educated one. However, a stronger preference was put on cash payment by the second group, i.e. those have senior secondary and matriculation levels of education. Although cash and credit card were the most preferred payment methods for the Hong Kong respondents, for the higher household income group, a stronger preference was put on credit card. For males in the United Kingdom, credit card was the most preferred payment method, while for females, cash was more welcomed. For both younger and older age groups in the United Kingdom, cash was the most preferred payment method. Credit card was more welcomed by the middle age group.

The two most common types of transactions that would be paid with a credit card were the same in these two markets. They were shopping and dining, respectively. However, the



third one was different. In Hong Kong, the third type was for entertainment, while in the United Kingdom, buying tickets was the third one. Another significant difference was that in the United Kingdom, there were other types of transactions being paid with credit cards, for example, buying fuel and making phone calls with public telephones.

For the most important factors affecting credit card payment, the rankings in these two markets were similar with cash availability, amount of transaction, and deferring the payment as the three most important factors affecting their decision to pay with credit cards. Moreover, some cardholders in the United Kingdom reported that whether certain percentages of the amount of transaction would be donated to charity organizations by card organizations or card issuing banks was also a consideration.

Age was the only demographic variable which showed differences among Hong Kong cardholders. For the younger age group, cash availability was the most important factor affecting the use of credit card, while the amount of transaction was ranked as most important by the older age groups. The greater the age, the more important the amount of transaction was, while the importance of cash availability and deferral of payment decreased. Sex, age, and household income had influences in the United Kingdom. For male cardholders, they used credit cards mainly for deferring the payment, while the female cardholders were more concerned about cash availability. Cash availability was the most

important factor for both the younger and older age groups, while for the middle-aged group, deferring the payment was more important. Cash availability was the most important factor for the low and high income groups. The middle-income group indicated that deferring payment was a more important factor.

For those results which could be analyzed using chi-square, the chi-square values were summarized in the following table.

TABLE 6.1.1  
CHI-SQUARE TESTS OF THE USAGE PATTERNS OF CARDHOLDERS  
IN HONG KONG AND THE UNITED KINGDOM

	Chi-square value
Average number of transactions per month	12.52*
Average total amount of credit card transactions	12.71*
Minimum amount of transaction	52.50*
Amount of the outstanding credit balance repaid	6.23
First most preferred payment method	48.21*
Second most preferred payment method	53.14*
Third most preferred payment method	37.15*
First most preferred payment method by sex (UK)	10.21*
First most preferred payment method by age (UK)	19.54*
Second most common type of transaction	29.37*
Third most common type of transaction	23.55*
First most preferred brand	8.15*
Second most preferred brand	0.49
Third most preferred brand	3.25
First most preferred brand by sex (HK)	6.63*

\*significant at 0.05 level

Both the results of simple tabulations and the chi-square tests indicated that there were significant



differences in the usage patterns of cardholders in the United Kingdom and Hong Kong. For example, cardholders in the United Kingdom seemed to use credit cards more often, and the minimum amount of transaction tended to be lower in the United Kingdom. Therefore, null hypothesis (1) was rejected.

## 6.2 Card Selection Criteria

t-tests were used to determine whether the difference between countries in the mean scores of a particular factor was significant. Table 6.2.1 presented the mean scores and the results of the t-tests. As mentioned before, the lower the mean score, the more important the factor was.

TABLE 6.2.1  
MEAN SCORES FOR 5-POINT SCALES AND THE t-VALUES

Factor	HK	UK	t-value
brand	2.2700	2.9045	-4.77*
length of repayment period	1.9400	2.3333	-3.25*
finance/interest charge	1.9950	2.0000	-0.04
amount of minimum repayment	2.8939	3.0704	-1.23
ease of paying the outstanding credit balance	2.0455	2.3266	-2.32*
credit limit	2.0455	2.1350	-0.78
ease of getting the card	2.9343	2.7286	1.52
design of the card	3.5533	4.2261	-5.74*
issuing bank	2.5025	3.0352	-4.01*
entrance/joining fee	2.0850	1.8744	1.88
annual charge	2.0650	1.7850	2.53*
free gift	3.3046	3.7789	-3.48*
purchase protection	2.3434	2.2513	0.74
global acceptance	1.7626	1.8995	-1.20
cash advance	2.8131	2.9442	-0.95
lost card protection	1.6788	1.8788	-1.78

\*significant at 0.05 level

The t-test results showed that there were significant differences in the importance of these factors for cardholders in Hong Kong and the United Kingdom. The importance ratings of seven out of sixteen of the card selection criteria were significantly different for these two countries. For brand, length of repayment period, and ease of paying the outstanding credit balance, cardholders in both countries rated them as important factors, and the mean scores of Hong Kong cardholders were lower (i.e., more important) than the United Kingdom cardholders. The design of the card, and the free gift were two relatively unimportant factors, and the mean scores of the cardholders in the United Kingdom were higher (i.e., more unimportant). Cardholders in Hong Kong considered issuing banks as one of the important card selection criteria, while those in the United Kingdom were neutral toward it. Annual charge was a more important factor for the cardholders in the United Kingdom.

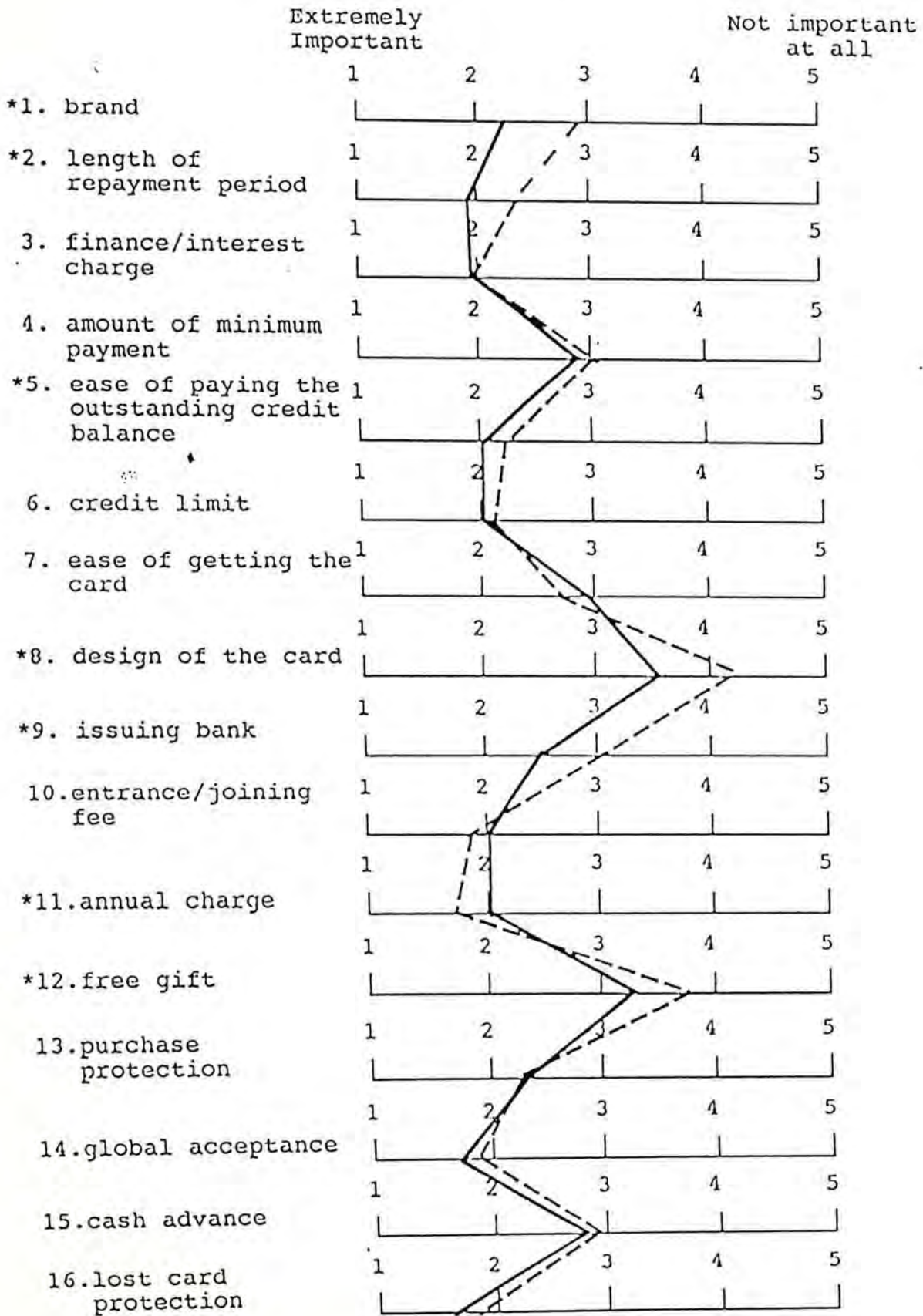
Figure 6.2.1 is a profile analysis which summarized the relative mean scores of different factors rated by respondents in each market.

The order of importance of these factors in these two countries were ranked according to the mean scores, and was presented in Table 6.2.2.



FIGURE 6.2.1

PROFILE ANALYSIS OF THE MEAN SCORES OF DIFFERENT CARD SELECTION CRITERIA



\*significant at 0.05 level

———— HK ———— UK

TABLE 6.2.2

## ORDER OF IMPORTANCE OF DIFFERENT FACTORS

Importance	Hong Kong	United Kingdom
1.	- lost card protection	- annual charge
2.	- global acceptance	- entrance/joining fee
3.	- length of repayment period	- lost card protection
4.	- finance/interest charge	- global acceptance
5.	- credit limit	- finance/interest charge
6.	- ease of paying the the outstanding credit balance	- credit limit
7.	- annual charge	- purchase protection
8.	- entrance/joining fee	- ease of paying the outstanding credit balance
9.	- brand	- length of repayment period
10.	- purchase protection	- ease of getting the card
11.	- issuing bank	- brand
12.	- cash advance	- cash advance
13.	- amount of minimum repayment	- issuing bank
14.	- ease of getting the card	- amount of minimum repayment
15.	- free gift	- free gift
16.	- design of the card	- design of the card

As already mentioned, cardholders in the United Kingdom were more concerned about the cost incurred in holding a credit card. The two most unimportant factors in both markets were free gift and design of the card.

As there were significant differences in the card selection criteria of cardholders in Hong Kong and the United Kingdom, for example, brand, length of repayment period, ease



of paying the outstanding credit balance, design of the card, issuing bank, annual charge, and free gift, null hypothesis (2) was rejected.

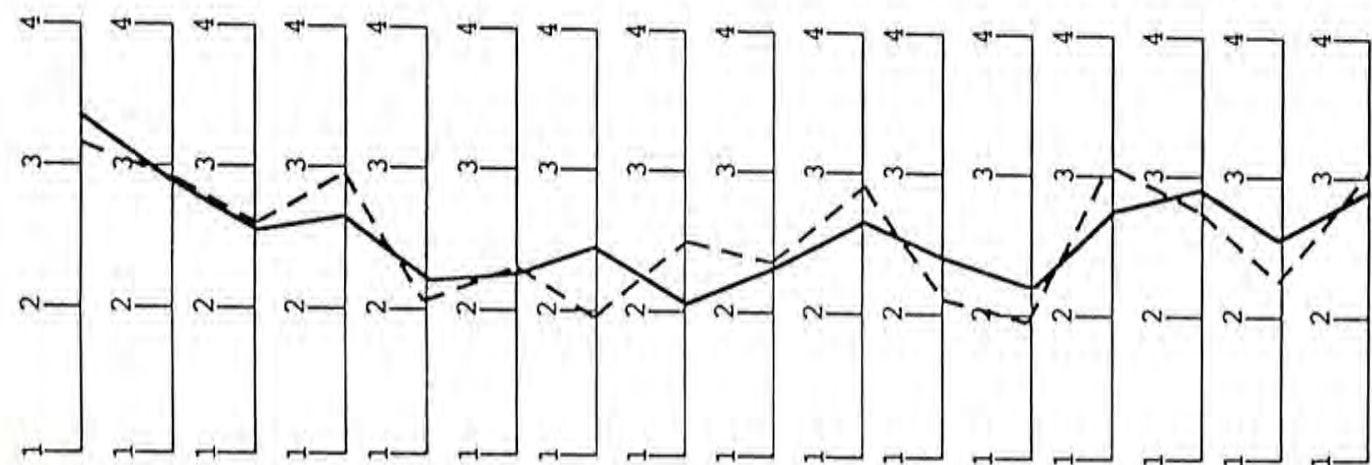
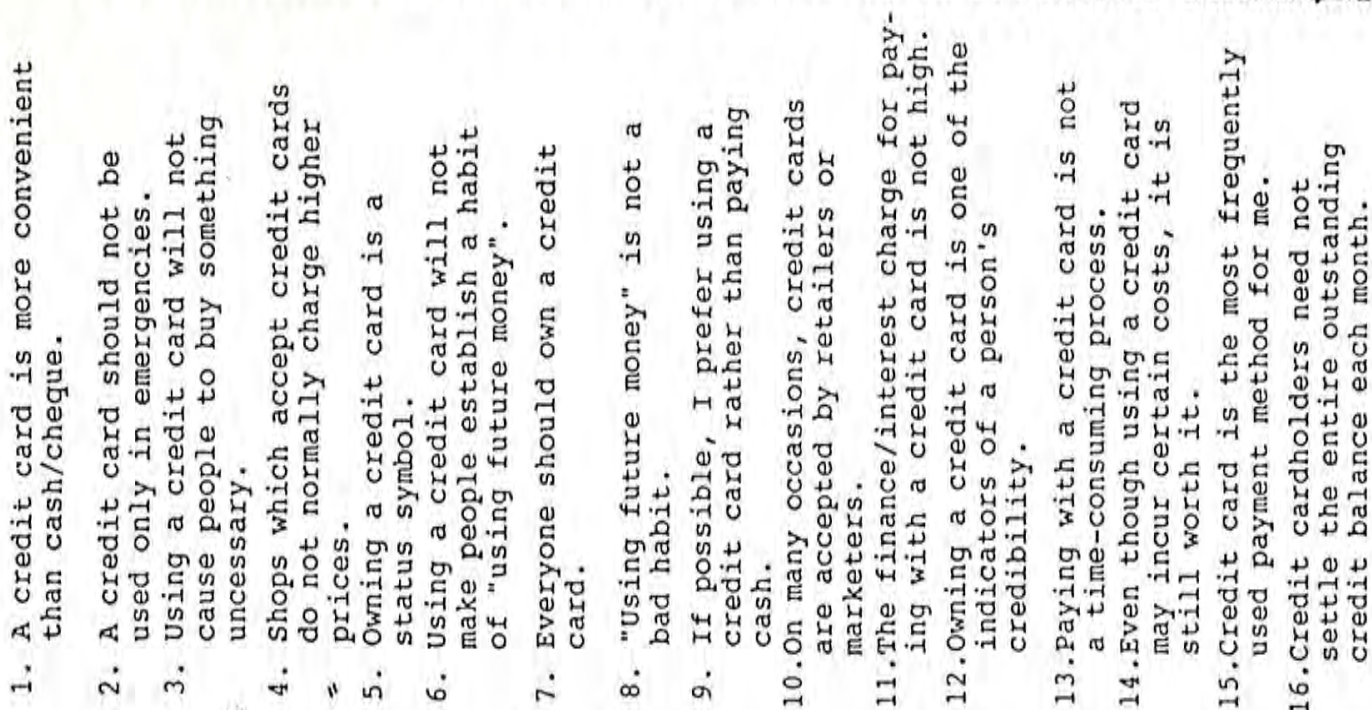
### 6.3 Attitudes Toward Credit Cards

A profile analysis (Figure 6.3.1) was used to summarize the mean scores of respondents' attitudes in each market.

t-tests and ANOVA tests were used to examine the differences in the cardholders' attitudes toward five factors, namely, convenience, condition of usage, effect of having credit cards, cost of using credit cards, and image of the credit cards.

FIGURE 6.3.1

PROFILE ANALYSIS OF THE MEAN SCORES OF ATTITUDINAL STATEMENTS



- 1. A credit card is less convenient than cash/cheque.
- 2. A credit card should be used only in emergencies.
- 3. Using a credit card will always cause people to buy something unnecessary.
- \*4. Shops which accept credit cards usually charge higher prices.
- 5. Owning a credit card is not a status symbol.
- 6. Using a credit card will make people establish a habit of "using future money".
- \*7. Not everyone should own a credit card.
- \*8. "Using future money" is a bad habit.
- 9. If possible, I prefer paying cash rather than using a credit card.
- \*10. On many occasions, credit cards are not accepted by retailers or marketers.
- \*11. The finance/interest charge for paying with a credit card is high.
- \*12. Owning a credit card is not one of the indicators of a persons' credibility.
- \*13. Paying with a credit card is a time-consuming process.
- \*14. Using a credit card may incur certain costs; it is not worth it.
- \*15. Credit card is not the most frequently used payment method for me.
- 16. Credit cardholders should settle the entire outstanding credit balance each month.

— UK ——— HK ——— UK

\*significant at 0.05 level



TABLE 6.3.1  
MEAN SCORES FOR 4-POINT SCALES AND THE t-VALUES

Factors	HK	UK	t-value
1. convenience	2.854	3.040	-3.73*
2. condition of usage	2.595	2.510	1.06
3. effect of having credit cards	2.450	2.670	-3.13*
4. cost of using credit cards	2.663	2.614	1.04
5. image of the credit cards	2.293	1.972	5.73*

\*significant at 0.05 level

Respondents in both countries showed positive attitudes toward four factors, i.e., convenience, condition of usage, effect of having credit cards, and cost of using credit cards, while they were not too favorable toward the image of the credit cards. However, this might only imply that credit cards had lost their prestigious images due to their popularity.

Three out of five factors were significantly different in these two markets. For the factors, convenience and effect of having credit cards, cardholders in both markets showed positive attitudes toward them. And the attitudes of cardholders in the United Kingdom were slightly more positive than those in Hong Kong on these two factors. However, the cardholders in the United Kingdom were slightly unfavorable toward the image of the credit cards.

Moreover, the results of the ANOVA tests showed that the variance in attitudes toward credit cards may be due to certain demographic variables.

TABLE 6.3.2

ANOVA TESTS FOR ATTITUDINAL FACTORS BY DEMOGRAPHIC CHARACTERISTICS OF HONG KONG SAMPLE

Factors	Sex	Age	Educational Level	Household Income
Convenience	1.36	0.09	5.56*	2.07
Condition of usage	0.47	1.10	3.70*	0.87
Effect of having credit cards	2.96	0.06	0.34	3.85*
Cost of using credit cards	3.84	2.29	3.01	1.27
Image of the credit cards	3.42	1.16	0.43	1.12

\*significant at 0.05 level

The demographic variables did not have too much influence on the Hong Kong cardholders' attitudes toward these five factors. Cardholders with the highest educational level showed the most positive attitude toward the convenience factor. For the condition of usage factor, those with the lowest educational level were most positive. Moreover, cardholders with monthly household income of HK\$15,001 to HK\$30,000 had more positive attitudes toward the effect of having credit cards.



TABLE 6.3.3

## ANOVA TESTS FOR ATTITUDINAL FACTORS BY DEMOGRAPHIC CHARACTERISTICS OF THE UNITED KINGDOM SAMPLE

Factors	Sex	Age	Educational Level	Household Income
Convenience	1.38	3.41*	8.19*	4.83*
Condition of usage	7.73*	6.01*	0.81	2.44
Effect of having credit cards	3.63	3.98*	0.283	0.59
Cost of using credit cards	0.00	2.77	1.50	1.32
Image of the credit cards	0.29	3.80*	1.07	0.35

\*significant at 0.05

In the United Kingdom, the demographic characteristics were more influential in cardholders' attitudes toward these five factors. First, male cardholders were more positive toward condition of usage. Second, cardholders who were 31 to 45 years of age were most positive toward four out of five factors. Cardholders with the highest educational level had the most favorable responses toward the convenience factor. When household income was taken into consideration, cardholders with monthly household income of HK\$15,001 to HK\$30,000 showed the most favorable attitudes toward the convenience factor.

Appendix 7 summarized the mean scores of the attitudinal factors by demographic variables which had significant differences.

A conclusion that the attitudes of cardholders in Hong Kong and the United Kingdom were significantly different was

drawn, as there were significant differences for three of the five factors. Therefore, null hypothesis (3) was rejected.

#### 6.4 Demographic Characteristics of Heavy Users

Differences in the demographic characteristics of heavy users of credit cards in these two markets were studied using simple tabulations. The demographic characteristics of heavy users in these two markets were summarized below.

TABLE 6.4.1

DEMOGRAPHIC CHARACTERISTICS OF HEAVY USERS IN HONG KONG  
IN TERMS OF NUMBER OF TRANSACTIONS

---



---

Hong Kong Market		
1.	sex	male
2.	age	31-45
3.	household income	HK\$15,001-30,000
4.	educational level	senior secondary and matriculation

---

TABLE 6.4.2

DEMOGRAPHIC CHARACTERISTICS OF HEAVY USERS IN THE UNITED  
KINGDOM IN TERMS OF NUMBER OF TRANSACTIONS

---



---

United Kingdom Market		
1.	sex	male
2.	age	31-45
3.	household income	HK\$15,000 or below
4.	educational level	university/college or above

---



In terms of number of transactions, there were two differences in the demographic characteristics of heavy users in these two markets, i.e., household income and educational level. Heavy credit card users in Hong Kong have household income of HK\$15,001 to HK\$30,000 and tend to have senior secondary and matriculation levels of education. UK heavy users, however, tend to have household income less than or equal to HK\$15,000 and have university or postgraduate education.

TABLE 6.4.3

DEMOGRAPHIC CHARACTERISTICS OF HEAVY USERS IN HONG KONG  
IN TERMS OF AMOUNT OF TRANSACTIONS

---



---

Hong Kong Market

---

- |    |                   |                             |
|----|-------------------|-----------------------------|
| 1. | sex               | female                      |
| 2. | age               | 31-45                       |
| 3. | household income  | over HK\$30,000             |
| 4. | educational level | university/college or above |
- 

TABLE 6.4.4

DEMOGRAPHIC CHARACTERISTICS OF HEAVY USERS IN THE UNITED  
KINGDOM IN TERMS OF AMOUNT OF TRANSACTIONS

---



---

United Kingdom Market

---

- |    |                   |                             |
|----|-------------------|-----------------------------|
| 1. | sex               | male/female                 |
| 2. | age               | 31-45                       |
| 3. | household income  | HK\$15,001-30,000           |
| 4. | educational level | university/college or above |
-

In terms of amount of transactions, only household income of heavy users was different in these two countries. The heavy user in Hong Kong tended to have a higher household income than his UK counterpart. Moreover, in the United Kingdom, both sexes were heavy users.

TABLE 6.4.5

CHI-SQUARE TESTS OF DEMOGRAPHIC CHARACTERISTICS OF HEAVY USERS IN HONG KONG AND THE UNITED KINGDOM

Demographic variables	Chi-square value
A. in terms of number of transactions	
1. sex	0.11
2. age	N.A.
3. household income	7.45*
4. educational level	N.A.
B. in terms of amount of transactions	
1. sex	4.36*
2. age	N.A.
3. household income	N.A.
4. educational level	N.A.

\*significant at 0.05 level  
 N.A.= not applicable

For those variables which did not meet the basic requirements for performing a chi-square test, the notation "N.A." was indicated. In terms of number of transactions, there was only one demographic variable which was significantly different in heavy users of these two countries, i.e., household income. Heavy users in Hong Kong were in the middle income group, while those in the United



Kingdom were in the lowest income group. In terms of amount of transactions, there was a significant difference in the sex of the heavy users. Heavy users in Hong Kong were primarily females, while the UK heavy user group was evenly split between the two sexes (refer to Appendix 8).

These findings showed that there were significant differences in the demographic characteristics of heavy credit card users in these two countries, and hence, null hypothesis (4) was rejected.

## CHAPTER VII

### RECOMMENDATIONS

#### 7.1 Standardization Versus Adaptation

From the above analyses, it could be observed that credit cardholders in the two countries have some commonalities. They both believe that the credit card is a convenient payment method. Most of the cardholders in these two markets prefer settling the entire outstanding balance every month. In this sense, credit cards are not used as an instrument for giving 'credit'. In addition, they seem to adopt similar criteria in their card selection processes.

However, there are a number of differences between the UK credit cardholders and the HK credit cardholders. For their usage patterns, although both markets believe the credit card is a convenient payment method, it is more widely used in the UK market. The British cardholders are more inclined to use their credit cards in their daily lives, even for small transaction amounts. In addition to shopping and entertainment, they like to use their cards for buying tickets and paying for fuel and public telephone. On the



other hand, the Hong Kong cardholders indicated relatively limited use of their cards. They mainly use their credit cards when shopping and dining out, especially when they do not have enough cash on hand.

In addition, credit cards seem to be more popular among the higher income group in Hong Kong. These people tend to use their credit cards more frequently. In the UK, the usage of credit cards is not limited to those richer people. Cardholders with less household income also use their credit cards frequently.

Both markets use similar criteria in selecting their credit cards. However, the UK cardholders seem to be less concerned about the brand and the issuing bank. It implies that they place more emphasis on the actual functions performed by their credit cards.

There are also some differences in their attitudes towards credit cards. Although both groups agree on the convenience of using credit cards, the HK cardholders show a less favorable attitude towards the concept of 'using future money'. They tend to believe that the entire outstanding credit balance should be settled each month. On the other hand, the British cardholders tend to have a greater acceptance of the revolving credit concept. That is, compared to their Hong Kong counterparts, the British cardholders place more emphasis on the deferral of payment function of their credit cards.

Demographic characteristics of heavy users in these two markets also have some differences. In terms of number of transactions, heavy users in Hong Kong and the United Kingdom are different in household income and educational level. In terms of amount of transactions, however, only household income of heavy users in these two countries is different.

Because of these differences, it seems that an absolutely standardized marketing programme is not appropriate for the card organizations. Actually the two markets are in different stages of development. The UK credit card market has a much longer history of development, and the credit card as a payment method is widely accepted in this country. Hong Kong, on the other hand, is still a newly developed market, and the revolving credit concept is not highly accepted in this area.

The product nature of the credit card also affects acceptance. As an intangible product, the acceptance and usage of the credit card depends on the attitudes of the consumers. A change in attitude usually requires a long period of time. For example, the first launch of Kentucky Fried Chicken in Hong Kong in the early 1980s was a total failure because Hong Kong people at that time did not accept the concept of fast food. In addition, the emphasis on the take-away service of the restaurant was not welcome then. As a result, Kentucky Fried Chicken closed its business very soon. After a few years' time, when fast food was more popular in Hong Kong, KFC relaunched its business. However,



it had to adapt to the local market by enlarging its shop space and installing more seats to suit the needs of its customers.

Thus, it is not recommended that the card organizations adopt an absolutely standardized marketing programme for their markets all over the world. As the markets of these card organizations are highly diversified and different markets are in different stages of development, a certain degree of adaptation would be needed to suit the needs of each specific market.

There are only two things which should be standardized. The first is the core product, i.e., the basic function/nature of the credit cards. For example, Visa and MasterCard are credit cards, and there are preset spending limits for each cardholder. Visa International and MasterCard International, however, should not change this card nature, due to competition or other forces which may exist in a particular target market. In fact, the augmented product, or product extensions, can be adapted according to different market characteristics. Another marketing tool which can be standardized to a great extent is the promotion of the card image. As the credit card business is a worldwide business, it would be better if they can maintain a global image in all markets. For example, the same promotional theme can be used. For below-the-line promotional activities, local market situations should be taken into account.

In the following section, therefore, two different marketing programmes for both the UK and HK markets would be suggested for the card organizations. Through this adaptation approach, it is believed that the card organizations could better penetrate, and enhance their businesses in, these two markets.

## 7.2 Recommended Marketing Strategies

### 7.2.1 Marketing Strategies for the HK Market

#### Target market

The adult group tends to be the heavy user of credit cards in the Hong Kong market. However, cash is still the most preferred method of payment by adult users. This implies that there is large potential to develop this target market. Therefore, rather than diversifying into other customer groups such as the education sector, penetrating the adult market seems to be a more promising approach.

The female market is also full of potential. Female cardholders tend to spend more with their credit cards, as compared to the male cardholders. As a result, targeting on this group helps increase the sales of the card organizations.



## Product strategy

On average, each cardholder in Hong Kong only holds 1.7 credit cards. Hence, it is recommended that the card organizations could position their cards as the second or third card. Targeting on the existing customers would be much easier than attracting non-users to have a product trial. Such kind of product positioning would also help reduce the head-on competition between different brands of credit cards.

Instead of launching new products, it is advisable to stick to the original products, because of their potential to develop further. For example, the gold card is a promising market because of its popularity in this area. Card organizations should also consider launching the platinum card, which is of even higher status, to attract the upper class people. The corporate card would be another star in the future, as Hong Kong is well known as a business society, and Hong Kong people have many chances to spend on business. So the card organizations should first explore the potential of these products before launching any new ones.

## Pricing strategy

Similar to their British counterparts, Hong Kong people are also price sensitive toward using credit cards. In order to promote credit card services in this region, card organizations should cooperate with their member banks to

lower their service charges, in order to attract more people to become cardholders.

### Distribution strategy

In order to facilitate the process of card application, card organizations should work with their member banks to enhance the easy availability of application forms. For example, the application forms could be placed in supermarkets, convenience stores, department stores, cinemas, and MTR stations.

Moreover, the number of outlets which accept credit cards should be increased. If more outlets accept credit cards, the cardholders would benefit from increased convenience. It also helps them develop the habit of paying by credit card. Therefore, new outlets, such as gasoline stations and supermarkets, are important places for establishing the credit card business.

Banks are clearly the most important distribution channel for credit cards. In recent years, the credit card business has become a highly important source of income for the local banks. As a result, card organizations could cooperate with their member banks and make use of the latter's resources to promote their credit card business.



## Promotional strategy

Although the credit card is a widely accepted method of payment in this region, Hong Kong people still prefer paying with cash. So the card organizations should promote the substitutability of credit cards for cash. Moreover, they should promote the idea that even small transaction amounts can be paid by credit card. That is, the use of the credit card should not be affected by the amount of the transaction. Thus, using credit cards for purposes such as paying fuel and public telephone should be promoted.

Promotional programmes should also be launched to change the unfavorable attitude toward the idea of 'using future money' and to promote the credit card as a credit instrument. Although the change in attitude may take a long period of time and require a great deal of effort, the results should be fruitful.

Some selling points, for example, lost card protection, global acceptance, and the length of the repayment period, could be used to attract consumers to apply for credit cards. Some banks have also used free gifts to attract new customers. However, from the research results, a free gift is not an important factor for choosing a brand. Hence, card organizations could advise their member banks to reduce their efforts in this area.

A particular brand could also make use of its special selling points. For instance, since credit limit is

perceived as an important criterion for card selection, American Express and Diners Club could promote the absence of credit limits associated with their charge card services. Since MasterCard is less popular than Visa or American Express, it could place more emphasis on promoting its company image to compete with other brands.

### 7.2.2 Marketing Strategies for the UK Market

#### Target market

Card organizations should further penetrate the UK market by diversifying into other target segments. Its core target should still be the adult group which tends to have more money to spend. However, as this market has grown to maturity, other potential markets should be explored. For instance, the youth market is full of potential because there are still a large number of teenagers who are not frequent users of credit cards. Therefore, the card organizations could promote their business by lowering the qualification requirements for their younger customers, such as qualifying age and income, in order to penetrate the youth market.

The business sector is another potential market. Many people in the United Kingdom hold different cards for personal and business purposes. These corporate level customers tend to have stable spending patterns and are less concerned about service charges. As a result, targeting both



the personal market and corporate market could enhance the business of the card organizations.

### Product strategy

As the United Kingdom has developed into a mature market, more products should be launched by the card organizations to suit the needs of different customers. For instance, a corporate card is one good choice. The strategic move of American Express to launch the Platinum card and Optima card should also be encouraged as these could help the company to explore a larger market.

Enhancing the product function is another strategic move. As the brand itself is not an important criterion for card selection, the actual functions performed by the card would be much more important for attracting consumers. As the British usually carry a number of cards such as cheque cards, cash cards, and credit cards to perform different functions, it will be extremely attractive if a card organization can issue a card which could perform all these different functions. This requires the cooperation of the member banks.

### Pricing strategy

From the research results, the British consumers are concerned about the cost of owning a card, which includes

entrance fee, annual charge, and interest charge. This is also proven by the fact that there was an acute fall in the number of credit cards when annual charges were introduced in the United Kingdom in 1991.

Therefore, it is advisable for the card organizations to cooperate with their member banks to cut the annual charge and other service charges. As people are inclined to spend less during a period of recession, an increase in service charges would only discourage the use of credit cards. As a result, a price-cutting strategy should be adopted to attract customers.

#### Distribution strategy

For credit cards, distribution could be categorized into two types: places for issuing the cards and places for using the cards. For card issuing, the distribution channel could be enlarged by encouraging non-bank institutions to launch the card. In other words, card organizations could cooperate with other companies, such as department stores and gasoline companies, to launch affinity cards.

For the usage of cards, card organizations should establish some new distribution channels. For instance, fast food chain stores are good distribution channels to encourage the use of credit cards. For one thing, consumers could have more frequent opportunities to use their credit cards.



Moreover, it could help them establish a habit of using their credit cards even for small transaction amounts.

### Promotional strategy

As payment by credit card is a widely accepted practice in the United Kingdom, more promotion should be put on encouraging more frequent use of credit cards. The promotional programmes should contain messages such as the acceptance of credit cards in various outlets and the convenience of using credit cards, relative to cash payment.

On the other hand, the revolving credit concept should be heavily promoted, especially for female cardholders, who are less inclined to use their cards for the purpose of deferring payment. As interest would be charged on deferred payments, it could help increase the income of the card organizations and their member banks.

Moreover, British people tend to travel frequently around the European continent, especially after the unification of the European Community. Hence, the degree of global acceptance should also be used as a selling point to promote the cards. In fact, global acceptance is an important criterion for the British to select their credit cards.

Last, but not least, many people in the United Kingdom are concerned about the well-being of their society. Some card issuers have begun to attract customers by donating

portions of their revenues to charity organizations. Some respondents in the research described that this would be an important factor affecting their use of credit cards. As a result, this strategy helps attract the customers to use the cards, while enhancing brand reputation at the same time.



APPENDIX 1

CARD ISSUING BANKS IN HONG KONG

	Visa	MasterCard
HongkongBank	X	X
Citibank	X	X
Hang Seng Bank	X	X
Standard Chartered Bank	X	X
Chase Manhattan	X	X
International Bank of Asia Ltd	X	X
Nanyang Commercial Bank	X	X
Shanghai Commercial Bank	X	X
Bank of East Asia	X	X
Overseas Trust Bank	X	X
Banque Nationale de Paris	X	-
The Hong Kong Chinese Bank Ltd	-	X
Belgian Bank	-	-

Source : Campo, Rosa, "Banks Defend High Card Interest Rates," South China Morning Post, 21 Nov. 1991.

APPENDIX 2

VISA ISSUING BANKS IN THE UNITED KINGDOM, 1992

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Adam & Company	C. Hoare & Co.
Allied Irish Banks (UK only)	Midland Bank
Allied Trust Bank	National Westminster Bank
Banco Bilbao Vizcaya	Northern Bank
Banco Sabadell	NWS Bank
Bank of Scotland	Robert Fleming (through Save & Prosper Group)
Bank of Cyprus (London)	Royal Bank of Scotland
Barclays Bank	Standard Chartered
Co-operative Bank	TSB Trustcard
Clydesdale Bank	Ulster Bank
Coutts & Co.	Yorkshire Bank
Girobank*	

\* - Girobank took over Chase Manhattan Visa operations in 1991

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Source : British Banker's Association, extracted from Credit and Other Finance Cards, Key Note Publications Ltd, 1992.



APPENDIX 3

MASTERCARD ISSUING BANKS IN THE UNITED KINGDOM, 1992

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Bank of Ireland (sterling cards through UK branches only)	National Westminster Bank
Barclays Bank	Northern Bank
Clydesdale Bank	Robert Fleming (through Save & Prosper Group)
Frizzell Banking Services	Royal Bank of Scotland
Lloyds Bank	TSB Trustcard
Midland Bank	Ulster Bank

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Source : British Banker's Association, extracted from Credit and Other Finance Cards, Key Note Publications Ltd, 1992.

APPENDIX 4  
QUESTIONNAIRE - ENGLISH VERSION



**Credit Card Market Research**

Hello, we are MBA students of The Chinese University of Hong Kong. We are now conducting research about the credit card market in the United Kingdom. Please complete the following questionnaire for us. The questionnaire consists of 4 pages. It will only take you about 10 minutes and the information will be kept confidential. Thank you for your cooperation.

Note : The term "credit card" used in this questionnaire includes both credit cards (e.g., Visa, MasterCard) and other charge cards (e.g., American Express, Diners Club).

**Section I :** For Questions 1-14, unless specified, please put a **tick** on the most appropriate blank.

- |   |   |
|---|---|
| <p>1. <i>Do you have any credit card(s)?</i></p> <p>_____ (1) yes (Please continue.)</p> <p>_____ (2) no (End of the questionnaire. Thank you.)</p> <p>2. <i>What is your most important reason for owning a credit card?</i></p> <p>_____ (1) owning a credit card is a status symbol</p> <p>_____ (2) it is a convenient payment method</p> <p>_____ (3) for emergency</p> <p>_____ (4) it allows me to pay on credit</p> <p>_____ (5) others (please specify _____ )</p> <p>3. <i>How many credit cards do you have? (Please indicate the number of each.)</i></p> <p>_____ (1) Visa Card</p> <p>_____ (2) MasterCard</p> <p>_____ (3) American Express Card</p> <p>_____ (4) Diners Club Card</p> <p>_____ (5) others (please specify _____ )</p> | <p style="text-align: center;"><u>Official<br/>Use Only</u></p> <p>(4) _____</p> <p>(5) _____</p> <p>(6) _____</p> <p>(7) _____</p> <p>(8) _____</p> <p>(9) _____</p> <p>(10) _____</p> |
|---|---|

**If you have more than one credit card, please answer Questions 4 and 5. If not, please go to Question 6.**

- |   |                                     |
|---|-------------------------------------|
| <p>4. <i>The most important reason for having more than one credit card is</i></p> <p>_____ (1) have a larger total credit limit</p> <p>_____ (2) status symbol</p> <p>_____ (3) different acceptance of different brands of credit cards by different retailers/marketers</p> <p>_____ (4) in case I can't use one credit card for any reason, I still have another one to use</p> <p>_____ (5) others (please specify _____ )</p> <p>5. <i>Among the different credit cards which you have, which brand do you use most frequently?</i></p> <p>_____ (1) Visa Card</p> <p>_____ (2) MasterCard</p> <p>_____ (3) American Express Card</p> <p>_____ (4) Diners Club Card</p> <p>_____ (5) others (please specify _____ )</p> | <p>(11) _____</p> <p>(12) _____</p> |
|---|-------------------------------------|

Official  
Use Only

6. *Within the past 12 months, the average number of transactions per month for all credit cards you own is*

- \_\_\_\_\_ (1) 0 - 5
- \_\_\_\_\_ (2) 6 - 10
- \_\_\_\_\_ (3) 11 - 15
- \_\_\_\_\_ (4) 16 - 20
- \_\_\_\_\_ (5) more than 20

(13) \_\_\_\_\_

7. *Within the past 12 months, the average total amount of credit card transactions per month for all credit cards you own is*

- \_\_\_\_\_ (1) less than or equal to £40
- \_\_\_\_\_ (2) £ 41 - £160
- \_\_\_\_\_ (3) £161 - £300
- \_\_\_\_\_ (4) £301 - £420
- \_\_\_\_\_ (5) £421 - £540
- \_\_\_\_\_ (6) £541 - £670
- \_\_\_\_\_ (7) over £670

(14) \_\_\_\_\_

8. *The minimum amount of transaction for you to pay with a credit card is*

- \_\_\_\_\_ (1) less than or equal to £17
- \_\_\_\_\_ (2) £18 - £42
- \_\_\_\_\_ (3) £43 - £67
- \_\_\_\_\_ (4) £68 - £92
- \_\_\_\_\_ (5) over £92

(15) \_\_\_\_\_

9. *How much of the outstanding credit balance will you repay each month?*

- \_\_\_\_\_ (1) full payment
- \_\_\_\_\_ (2) minimum amount
- \_\_\_\_\_ (3) certain fixed amount (please specify the average amount you usually repay each month £ \_\_\_\_\_ )
- \_\_\_\_\_ (4) others (please specify \_\_\_\_\_ )

(16) \_\_\_\_\_

10. *The method of repaying the outstanding credit balance you use most often is*

- \_\_\_\_\_ (1) by autopay
- \_\_\_\_\_ (2) by mailed cheque
- \_\_\_\_\_ (3) by deposit of cash/cheque through automatic teller machines
- \_\_\_\_\_ (4) by deposit of cash/cheque through branches of banks
- \_\_\_\_\_ (5) by telebanking
- \_\_\_\_\_ (6) others (please specify \_\_\_\_\_ )

(17) \_\_\_\_\_

11. *Please rank your THREE most preferred payment methods when you shop, where 1 indicates the one you most prefer.*

- \_\_\_\_\_ (1) cash
- \_\_\_\_\_ (2) electronic payment system (EPS)
- \_\_\_\_\_ (3) credit card
- \_\_\_\_\_ (4) cheque
- \_\_\_\_\_ (5) others (please specify \_\_\_\_\_ )

(18) \_\_\_\_\_

(19) \_\_\_\_\_

(20) \_\_\_\_\_



12. Please rank the **THREE** most common types of transactions that you pay with a credit card, where 1 indicates the most common one.

- \_\_\_\_\_ (1) shopping
- \_\_\_\_\_ (2) dining
- \_\_\_\_\_ (3) entertainment (e.g., karaoke, disco, etc.)
- \_\_\_\_\_ (4) buying tickets (e.g., airlines, concerts, etc.)
- \_\_\_\_\_ (5) others (please specify \_\_\_\_\_ )

Official Use Only  
(21) \_\_\_\_\_  
(22) \_\_\_\_\_  
(23) \_\_\_\_\_

13. Please rank the **THREE** most important factors affecting you to pay with a credit card, where 1 indicates the most important one.

- \_\_\_\_\_ (1) amount of transaction
- \_\_\_\_\_ (2) cash availability
- \_\_\_\_\_ (3) time availability
- \_\_\_\_\_ (4) want to defer the payment
- \_\_\_\_\_ (5) status symbol
- \_\_\_\_\_ (6) whether extra cost will be charged on the transaction
- \_\_\_\_\_ (7) others (please specify \_\_\_\_\_ )

(24) \_\_\_\_\_  
(25) \_\_\_\_\_  
(26) \_\_\_\_\_

14. Regardless of your ownership of these brands, please rank your **THREE** most preferred brands of credit cards, where 1 indicates the one you most prefer.

- \_\_\_\_\_ (1) Visa Card
- \_\_\_\_\_ (2) MasterCard
- \_\_\_\_\_ (3) American Express Card
- \_\_\_\_\_ (4) Diners Club Card
- \_\_\_\_\_ (5) others (please specify \_\_\_\_\_ )

(27) \_\_\_\_\_  
(28) \_\_\_\_\_  
(29) \_\_\_\_\_

**Section II :** For Questions 15-31, please indicate the importance of each factor when you choose to apply for a credit card. Put a **tick** on the appropriate blank.

	Importance					Official Use Only
	Extremely Important (1)	(2)	(3)	(4)	Not Important at all (5)	
15. brand (e.g., Visa, MC, AE, etc.)	_____	_____	_____	_____	_____	(30) _____
16. length of repayment period	_____	_____	_____	_____	_____	(31) _____
17. finance/interest charge	_____	_____	_____	_____	_____	(32) _____
18. amount of minimum repayment	_____	_____	_____	_____	_____	(33) _____
19. ease of paying the outstanding credit balance	_____	_____	_____	_____	_____	(34) _____
20. credit limit	_____	_____	_____	_____	_____	(35) _____
21. ease of getting the card	_____	_____	_____	_____	_____	(36) _____
22. design of the card	_____	_____	_____	_____	_____	(37) _____
23. issuing bank	_____	_____	_____	_____	_____	(38) _____
24. entrance/joining fee	_____	_____	_____	_____	_____	(39) _____
25. annual charge	_____	_____	_____	_____	_____	(40) _____
26. free gift	_____	_____	_____	_____	_____	(41) _____
27. purchase protection	_____	_____	_____	_____	_____	(42) _____
28. global acceptance	_____	_____	_____	_____	_____	(43) _____
29. cash advance	_____	_____	_____	_____	_____	(44) _____
30. lost card protection	_____	_____	_____	_____	_____	(45) _____
31. others (please specify _____ )	_____	_____	_____	_____	_____	(46) _____



Section III : For Questions 32-46, please show your degree of agreement with each statement. Put a **tick** on the appropriate blank. Official Use Only : \_\_\_\_\_ (1-3)

	Strongly Agree (1)	(2)	(3)	Strongly Disagree (4)	Official Use Only
32. A credit card is more convenient than cash or cheque.					(47) _____
33. A credit card should be used only in emergencies.	_____	_____	_____	_____	(48) _____
34. Using a credit card will always cause people to buy something unnecessary.	_____	_____	_____	_____	(49) _____
35. Shops which accept credit cards usually charge higher prices.	_____	_____	_____	_____	(50) _____
36. Owning a credit card is a status symbol.	_____	_____	_____	_____	(51) _____
37. Using a credit card will make people establish a habit of "using future money".	_____	_____	_____	_____	(52) _____
38. Everyone should own a credit card.	_____	_____	_____	_____	(53) _____
39. "Using future money" is a bad habit.	_____	_____	_____	_____	(54) _____
40. If possible, I prefer paying cash rather than using a credit card.	_____	_____	_____	_____	(55) _____
41. On many occasions, credit cards are not accepted by retailers or marketers.	_____	_____	_____	_____	(56) _____
42. The finance/interest charge for paying with a credit card is high.	_____	_____	_____	_____	(57) _____
43. Owning a credit card is one of the indicators of a person's credibility.	_____	_____	_____	_____	(58) _____
44. Paying with a credit card is a time-consuming process.	_____	_____	_____	_____	(59) _____
45. Even though using a credit card may incur certain costs, it is still worth it.	_____	_____	_____	_____	(60) _____
46. Credit card is the most frequently used payment method for me.	_____	_____	_____	_____	(61) _____
47. Credit cardholders should settle the entire outstanding credit balance each month.	_____	_____	_____	_____	(62) _____

Section IV : Please put a **tick** on the appropriate blank.

48. Sex	_____ (1) male	_____ (2) female	(63) _____
49. Age	_____ (1) 20 or below	_____ (2) 21 - 25	_____ (3) 26 - 30
	_____ (4) 31 - 35	_____ (5) 36 - 40	_____ (6) 41 - 45
	_____ (7) 46 - 50	_____ (8) 51 - 55	_____ (9) over 55
(64) _____			
50. Educational level	_____ (1) primary or below	_____ (2) junior secondary (F.1-F.3)	
	_____ (3) senior secondary (F.4-F.5)	_____ (4) matriculation (F.6-F.7)	
	_____ (5) university/college	_____ (6) postgraduate or above	
	_____ (7) others (please specify _____ )		(65) _____
51. Household income per month	_____ (1) £420 or below	_____ (2) £ 421 - £ 833	
	_____ (3) £ 834 - £1250	_____ (4) £1251 - £1667	
	_____ (5) £1668 - £2083	_____ (6) £2084 - £2500	
	_____ (7) £2501 - £2917	_____ (8) £2918 - £3333	
	_____ (9) over £3333		(66) _____

End of the questionnaire. Thank you for your cooperation.



APPENDIX 5

QUESTIONNAIRE - CHINESE VERSION

APPENDIX 6

USAGE PATTERNS - RESULTS OF TABULATIONS

1. most important reason to own a credit card

	<u>HK</u>	<u>UK</u>
(1) owning a credit card is a status symbol	1.5%	1.5%
(2) it is a convenient payment method	59.5%	58.5%
(3) for emergency	18.0%	18.5%
(4) it allows me to pay on credit	20.0%	21.5%
(5) others	1.0%	0.0%

1.1 United Kingdom Market

a) most important reason by sex

	sex	
	<u>Male</u>	<u>Female</u>
(1) owning a credit card is a status symbol	2.8%	0.0%
(2) it is a convenient payment method	68.9%	46.8%
(3) for emergency	13.2%	24.5%
(4) it allows me to pay on credit	15.1%	28.7%

b) most important reason by educational level

	educational level		
	<u>1</u>	<u>2</u>	<u>3</u>
(1) owning a credit card is a status symbol	0.0%	0.0%	1.7%
(2) it is a convenient payment method	20.0%	50.0%	60.3%
(3) for emergency	0.0%	37.5%	17.3%
(4) it allows me to pay on credit	80.0%	12.5%	20.7%

(1 = junior secondary or below,  
 2 = senior secondary and matriculation,  
 3 = university/college or above)



2. average number of credit cards

	<u>HK</u>	<u>UK</u>
(1) one credit card	49.0%	56.0%
(2) two credit cards	36.9%	27.5%
(3) three credit cards	8.6%	11.5%
(4) four credit cards	5.6%	1.0%
(5) five credit cards	0.0%	4.0%
The average number	1.707	1.695

3.1 total number of credit cards owned by all respondents

	<u>HK</u>	<u>UK</u>
(1) Visa Card	180	153
(2) MasterCard	61	61
(3) American Express Card	52	40
(4) Diners Club Card	16	18
(5) others	5	44

3.2 percentage of sample holding a particular brand of credit card

	<u>HK</u>	<u>UK</u>
(1) Visa Card	90.0%	76.5%
(2) MasterCard	30.5%	30.5%
(3) American Express Card	26.5%	20.0%
(4) Diners Club Card	8.0%	9.0%
(5) others	2.5%	22.0%

3.3 market share of different brands of credit cards

	<u>HK</u>	<u>UK</u>
(1) Visa Card	57.3%	48.4%
(2) MasterCard	19.4%	19.3%
(3) American Express Card	16.6%	12.7%
(4) Diners Club Card	5.1%	5.7%
(5) others	1.6%	13.9%

4. most important reason for having more than one credit card

	<u>HK</u>	<u>UK</u>
(1) having a larger total credit limit	24.8%	4.7%
(2) status symbol	0.9%	3.5%
(3) different acceptance of different brands of credit cards by different retailers/marketers	31.2%	41.8%
(4) in case I can't use one credit card for any reason, I still have another one to use	33.0%	33.7%
(5) others	10.1%	16.3%

4.1 Hong Kong Market

a) most important reason by sex

	sex	
	<u>Male</u>	<u>Female</u>
(1) having a larger total credit limit	32.8%	14.6%
(2) status symbol	0.0%	2.1%
(3) different acceptance of different brands of credit cards by different retailers/marketers	32.8%	29.2%
(4) in case I can't use one credit card for any reason, I still have another one to use	23.0%	45.8%
(5) others	11.4%	8.3%

b) most important reason by age

	age		
	<u>1</u>	<u>2</u>	<u>3</u>
(1) having a larger total credit limit	42.9%	22.7%	0.0%
(2) status symbol	3.6%	0.0%	0.0%
(3) different acceptance of different brands of credit cards by different retailers/marketers	32.1%	24.2%	60.0%
(4) in case I can't use one credit card for any reason, I still have another one to use	7.1%	45.5%	26.7%
(5) others	14.3%	7.6%	13.3%

(1 = 30 or below, 2 = 31 - 45, 3 = over 45)



5. brand used most frequently among the different credit cards they hold

	<u>HK</u>	<u>UK</u>
(1) Visa Card	80.6%	67.4%
(2) MasterCard	7.4%	9.3%
(3) American Express Card	10.2%	16.3%
(4) Diners Club Card	1.9%	2.3%
(5) others	0.0%	4.7%

6. average number of transactions per month for all credit cards they own

	<u>HK</u>	<u>UK</u>
(1) 0 - 5	50.0%	37.8%
(2) 6 - 10	18.5%	28.3%
(3) 11 - 15	11.5%	17.7%
(4) 16 - 20	6.5%	6.1%
(5) more than 20	12.5%	10.1%

7. average total amount of credit card transactions per month for all credit cards

	<u>HK</u>	<u>UK</u>
(1) less than or equal to HK\$500	15.0%	18.0%
(2) HK\$501 - HK\$2,000	43.5%	37.5%
(3) HK\$2,001 - HK\$3,500	20.0%	19.5%
(4) HK\$3,501 - HK\$5,000	14.0%	9.0%
(5) HK\$5,001 - HK\$6,500	3.0%	2.5%
(6) over HK\$6,500	4.5%	13.5%

8. minimum amount of transaction to pay with credit card

	<u>HK</u>	<u>UK</u>
(1) less than or equal to HK\$200	31.2%	62.5%
(2) HK\$201 - HK\$500	50.8%	25.0%
(3) HK\$501 - HK\$800	14.6%	4.5%
(4) more than HK\$800	3.4%	8.0%

9. amount of the outstanding credit balance repaid each month

	<u>HK</u>	<u>UK</u>
(1) full payment	82.5%	80.0%
(2) minimum amount	6.5%	10.5%
(3) certain fixed amount	11.0%	6.5%

10. method of repaying the outstanding credit balance used most often

	<u>HK</u>	<u>UK</u>
(1) by autopay	34.5%	17.2%
(2) by mailed cheque	31.0%	35.9%
(3) by deposit of cash/cheque through automatic teller machines (ATM)	21.0%	7.1%
(4) by deposit of cash/cheque through branches of banks	12.5%	35.9%
(5) by telemarketing	0.5%	1.0%
(6) others	0.5%	3.0%

11. most preferred payment methods

11.1 first most preferred payment method

	<u>HK</u>	<u>UK</u>
(1) cash	51.8%	33.5%
(2) electronic payment system(EPS)	2.5%	16.0%
(3) credit card	43.2%	34.0%
(4) cheque	2.5%	15.5%

11.2 second most preferred payment method

	<u>HK</u>	<u>UK</u>
(1) cash	28.3%	28.3%
(2) electronic payment system(EPS)	23.0%	11.5%
(3) credit card	45.5%	30.4%
(4) cheque	3.2%	29.8%

11.3 third most preferred payment method

	<u>HK</u>	<u>UK</u>
(1) cash	16.7%	26.2%
(2) electronic payment system(EPS)	44.8%	16.8%
(3) credit card	11.5%	23.6%
(4) cheque	25.3%	33.5%



#### 11.4 Hong Kong Market

##### a) first most preferred payment method by age

	age		
	<u>1</u>	<u>2</u>	<u>3</u>
(1) cash	44.4%	58.7%	38.9%
(2) electronic payment system(EPS)	4.2%	1.8%	0.0%
(3) credit card	51.4%	36.7%	50.0%
(4) cheque	0.0%	2.8%	11.1%

(1 = 30 or below, 2 = 31 - 45, 3 = over 45)

##### b) first most preferred payment method by educational level

	educational level		
	<u>1</u>	<u>2</u>	<u>3</u>
(1) cash	40.0%	57.9%	46.2%
(2) electronic payment system(EPS)	0.0%	1.9%	3.8%
(3) credit card	40.0%	38.3%	48.7%
(4) cheque	20.0%	1.9%	1.3%

(1 = junior secondary or below,  
2 = senior secondary and matriculation,  
3 = university/college or above)

##### c) first most preferred payment method by household income

	household income		
	<u>1</u>	<u>2</u>	<u>3</u>
(1) cash	59.6%	52.4%	46.3%
(2) electronic payment system(EPS)	4.3%	2.4%	1.5%
(3) credit card	25.5%	45.2%	52.2%
(4) cheque	10.6%	0.0%	0.0%

(1 = HK\$15,000 or below,  
2 = HK\$15,001 - HK\$30,000,  
3 = over HK\$30,000)

#### 11.5 United Kingdom Market

##### a) first most preferred payment method by sex

	sex	
	<u>Male</u>	<u>Female</u>
(1) cash	30.2%	37.2%
(2) electronic payment system(EPS)	13.2%	19.2%
(3) credit card	43.4%	23.4%
(4) cheque	11.3%	20.2%

b) first most preferred payment method by age

	age		
	<u>1</u>	<u>2</u>	<u>3</u>
(1) cash	37.0%	27.7%	46.1%
(2) electronic payment system(EPS)	21.9%	11.9%	15.4%
(3) credit card	19.2%	47.5%	23.1%
(4) cheque	21.9%	10.9%	15.4%

(1 = 30 or below, 2 = 31 - 45, 3 = over 45)

12. most common types of transactions paid with credit cards

12.1 first most common type

	<u>HK</u>	<u>UK</u>
(1) shopping	67.0%	57.0%
(2) dining	21.8%	10.5%
(3) entertainment	8.1%	3.0%
(4) buying tickets	1.5%	20.5%
(5) others	1.5%	9.0%

12.2 second most common type

	<u>HK</u>	<u>UK</u>
(1) shopping	21.1%	18.4%
(2) dining	63.1%	45.3%
(3) entertainment	13.2%	11.1%
(4) buying tickets	2.6%	18.9%

12.3 third most common type

	<u>HK</u>	<u>UK</u>
(1) shopping	12.2%	14.5%
(2) dining	14.0%	25.1%
(3) entertainment	52.9%	26.8%
(4) buying tickets	20.3%	29.1%

12.4 Hong Kong Market

a) first most common type by sex

	sex	
	<u>Male</u>	<u>Female</u>
(1) shopping	57.0%	78.9%
(2) dining	28.0%	14.4%
(3) entertainment	10.3%	5.6%
(4) buying tickets	1.9%	1.1%
(5) others	2.8%	0.0%



12.5 United Kingdom Market

a) first most common type by sex

	sex	
	<u>Male</u>	<u>Female</u>
(1) shopping	57.5%	56.4%
(2) dining	11.3%	9.6%
(3) entertainment	3.8%	2.1%
(4) buying tickets	12.3%	29.8%
(5) others	15.1%	2.1%

13. most important factors affecting credit card payment

13.1 first most important factor

	<u>HK</u>	<u>UK</u>
(1) amount of transaction	31.2%	16.0%
(2) cash availability	35.7%	37.0%
(3) time availability	5.5%	6.0%
(4) want to defer the payment	22.6%	32.5%
(5) status symbol	0.0%	0.0%
(6) whether extra cost will be charged on the transaction	4.5%	2.0%
(7) others	0.5%	6.5%

13.2 second most important factor

	<u>HK</u>	<u>UK</u>
(1) amount of transaction	31.9%	36.2%
(2) cash availability	36.2%	23.5%
(3) time availability	3.2%	15.8%
(4) want to defer the payment	18.6%	19.4%
(5) status symbol	1.1%	0.0%
(6) whether extra cost will be charged on the transaction	9.0%	3.1%
(7) others	0.0%	2.0%

13.3 third most important factor

	<u>HK</u>	<u>UK</u>
(1) amount of transaction	20.4%	19.8%
(2) cash availability	16.7%	24.0%
(3) time availability	21.0%	25.0%
(4) want to defer the payment	28.4%	15.5%
(5) status symbol	1.1%	6.3%
(6) whether extra cost will be charged on the transaction	12.4%	3.1%
(7) others	0.0%	6.3%

### 13.4 Hong Kong Market

#### a) first most important factor by age

	age		
	<u>1</u>	<u>2</u>	<u>3</u>
(1) amount of transaction	21.1%	35.5%	44.3%
(2) cash availability	43.6%	33.6%	16.7%
(3) time availability	8.5%	1.8%	16.7%
(4) want to defer the payment	25.4%	21.8%	16.7%
(6) whether extra cost will be charged on the transaction	1.4%	7.3%	0.0%
(7) others	0.0%	0.0%	5.6%

(1 = 30 or below, 2 = 31 - 45, 3 = over 45)

### 13.5 United Kingdom Market

#### a) first most important factor by sex

	sex	
	<u>Male</u>	<u>Female</u>
(1) amount of transaction	12.3%	20.2%
(2) cash availability	30.2%	44.7%
(3) time availability	0.9%	11.7%
(4) want to defer the payment	48.1%	14.9%
(6) whether extra cost will be charged on the transaction	1.9%	2.1%
(7) others	6.6%	6.4%

#### b) first most important factor by age

	age		
	<u>1</u>	<u>2</u>	<u>3</u>
(1) amount of transaction	23.3%	6.9%	30.8%
(2) cash availability	37.0%	35.6%	42.3%
(3) time availability	8.3%	3.0%	11.5%
(4) want to defer the payment	26.0%	43.6%	7.7%
(6) whether extra cost will be charged on the transaction	2.7%	2.0%	0.0%
(7) others	2.7%	8.9%	7.7%

(1 = 30 or below, 2 = 31 - 45, 3 = over 45)



c) first most important factor by household income

	household income		
	<u>1</u>	<u>2</u>	<u>3</u>
(1) amount of transaction	18.2%	9.2%	28.0%
(2) cash availability	41.4%	31.6%	36.0%
(3) time availability	8.1%	5.3%	0.0%
(4) want to defer the payment	24.2%	48.6%	16.0%
(6) whether extra cost will be charged on the transaction	2.0%	0.0%	8.0%
(7) others	6.1%	5.3%	12.0%

(1 = HK\$15,000 or below,  
 2 = HK\$15,001 - HK\$30,000,  
 3 = over HK\$30,000)

14. most preferred brands of credit cards

14.1 first most preferred brand

	<u>HK</u>	<u>UK</u>
(1) Visa Card	68.8%	57.0%
(2) MasterCard	7.5%	15.5%
(3) American Express Card	17.6%	14.5%
(4) Diners Club Card	6.1%	4.2%

14.2 second most preferred brand

	<u>HK</u>	<u>UK</u>
(1) Visa Card	26.9%	26.9%
(2) MasterCard	37.1%	32.3%
(3) American Express Card	29.8%	28.2%
(4) Diners Club Card	5.1%	6.0%

14.3 third most preferred brand

	<u>HK</u>	<u>UK</u>
(1) Visa Card	7.9%	13.0%
(2) MasterCard	31.6%	27.3%
(3) American Express Card	38.1%	38.3%
(4) Diners Club Card	20.4%	15.6%

14.4 Hong Kong Market

a) first most preferred brand by sex

	sex	
	<u>Male</u>	<u>Female</u>
(1) Visa Card	75.0%	61.5%
(2) MasterCard	9.3%	5.5%
(3) American Express Card	11.1%	25.3%
(4) Diners Club Card	4.6%	7.7%

14.5 United Kingdom Market

a) first most preferred brand by age

	age		
	<u>1</u>	<u>2</u>	<u>3</u>
(1) Visa Card	64.3%	52.6%	53.8%
(2) MasterCard	12.9%	12.4%	34.6%
(3) American Express Card	11.4%	19.6%	3.8%
(4) Diners' Club Card	0.0%	8.2%	0.0%
(5) others	11.4%	7.2%	7.8%

(1 = 30 or below, 2 = 31 - 45, 3 = over 45)



APPENDIX 7

ATTITUDINAL FACTORS BY DEMOGRAPHICS

1. Hong Kong Market

educational level:

a) convenience by education

	<u>Mean Score</u>
(1) junior secondary or below	2.73
(2) senior secondary and matriculation	2.78
(3) university/college or above	2.97

b) condition of usage by education

	<u>Mean Score</u>
(1) junior secondary or below	2.83
(2) senior secondary and matriculation	2.51
(3) university/college or above	2.68

household income:

c) effect of having credit cards by income

	<u>Mean Score</u>
(1) \$15,000 or below	2.32
(2) \$15,001 - \$30,000	2.58
(3) over \$30,000	2.39

2) United Kingdom

sex:

a) condition of usage by sex

	<u>Mean Score</u>
(1) male	3.08
(2) female	2.91

age:

b) convenience by age

	<u>Mean Score</u>
(1) below 30	2.90
(2) 30 - 45	3.13
(3) over 45	3.01

c) condition of usage by age

	<u>Mean Score</u>
(1) below 30	2.43
(2) 30 - 45	3.00
(3) over 45	2.81

d) effect of having credit cards by age

	<u>Mean Score</u>
(1) below 30	2.73
(2) 30 - 45	2.75
(3) over 45	2.27

e) image of the credit cards by age

	<u>Mean Score</u>
(1) below 30	2.03
(2) 30 - 45	2.04
(3) over 45	1.67

educational level:

f) convenience by education

	<u>Mean Score</u>
(1) junior secondary or below	2.53
(2) senior secondary and matriculation	2.67
(3) university/college or above	2.86

household income:

g) convenience by income

	<u>Mean Score</u>
(1) \$15,000 or below	3.00
(2) \$15,001 - \$30,000	3.17
(3) over \$30,000	2.79



APPENDIX 8

DEMOGRAPHIC CHARACTERISTICS OF HEAVY USERS BY COUNTRY

A. in terms of number of transactions

household income:

	<u>HK</u>	<u>UK</u>
(1) HK\$15,000 or below	21.7%	53.1%
(2) HK\$15,001 - HK\$30,000	48.6%	31.3%
(3) over HK\$30,000	29.7%	15.6%

B. in terms of amount of transactions

sex:

	<u>HK</u>	<u>UK</u>
(1) male	13.3%	50.0%
(2) female	86.7%	50.0%

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