



International Journal of Bank Marketing

An analysis of main and subsidiary credit card holding and spending

James F. Devlin Steve Worthington P. Gerrard

Article information:

To cite this document:

James F. Devlin Steve Worthington P. Gerrard, (2007), "An analysis of main and subsidiary credit card holding and spending", International Journal of Bank Marketing, Vol. 25 Iss 2 pp. 89 - 101

Permanent link to this document:

<http://dx.doi.org/10.1108/02652320710728429>

Downloaded on: 16 October 2014, At: 17:11 (PT)

References: this document contains references to 14 other documents.

To copy this document: permissions@emeraldinsight.com

The fulltext of this document has been downloaded 4606 times since 2007*

Users who downloaded this article also downloaded:

Zafar U. Ahmed, Ishak Ismail, M. Sadiq Sohail, Ibrahim Tabsh, Hasbalaila Alias, (2010), "Malaysian consumers' credit card usage behavior", Asia Pacific Journal of Marketing and Logistics, Vol. 22 Iss 4 pp. 528-544

Arpita Khare, Anshuman Khare, Shveta Singh, (2012), "Factors affecting credit card use in India", Asia Pacific Journal of Marketing and Logistics, Vol. 24 Iss 2 pp. 236-256

Chris Baumann, Hamin Hamin, Wendy Ming#Yen Teoh, Siong#Choy Chong, Shi Mid Yong, (2013), "Exploring the factors influencing credit card spending behavior among Malaysians", International Journal of Bank Marketing, Vol. 31 Iss 6 pp. 481-500 <http://dx.doi.org/10.1108/IJBM-04-2013-0037>



Access to this document was granted through an Emerald subscription provided by 173534 []

For Authors

If you would like to write for this, or any other Emerald publication, then please use our Emerald for Authors service information about how to choose which publication to write for and submission guidelines are available for all. Please visit www.emeraldinsight.com/authors for more information.

About Emerald www.emeraldinsight.com

Emerald is a global publisher linking research and practice to the benefit of society. The company manages a portfolio of more than 290 journals and over 2,350 books and book series volumes, as well as providing an extensive range of online products and additional customer resources and services.

Emerald is both COUNTER 4 and TRANSFER compliant. The organization is a partner of the Committee on Publication Ethics (COPE) and also works with Portico and the LOCKSS initiative for digital archive preservation.

*Related content and download information correct at time of download.



An analysis of main and subsidiary credit card holding and spending

James F. Devlin

*Nottingham University Business School, University of Nottingham,
Nottingham, UK*

Steve Worthington

Department of Marketing, Monash University, Caulfield East, Australia, and

P. Gerrard

New House Farm, Kendal, UK

Credit card
holding

89

Received August 2006

Revised October 2006

Accepted November 2006

Abstract

Purpose – This study seeks to examine why most multiple credit cardholders have a “main” card (i.e. a card used more often than others) and “subsidiary” cards (i.e. cards used less often or only in an emergency) and the spending patterns associated with main and subsidiary cards.

Design/methodology/approach – The study is qualitative in nature, using a survey which contained open-ended questions to acquire data. Responses were subject to content analysis to categorise the reasons given for having a main and subsidiary card.

Findings – Results show that some 85 per cent of the 141 respondents indicated that they had a main card and the most frequently quoted reason for having such a card was the superior discounts and promotions which were offered by the card issuer. Not surprisingly, main cards were used for the broadest range of transactions, while subsidiary cards were used for a more restricted range of transactions, a majority saying that their subsidiary cards were held for “stand-by purposes”.

Research limitations/implications – The primary limitation of this study is that the generalizability of the findings cannot be guaranteed. Although there is no particular evidence that Singaporeans behave differently from others in the credit card market, replication of the findings in other countries would confirm the generalizability of the findings in this study.

Practical implications – The results suggest that managers who market credit cards should aim to ensure that, at all times, the discounts they offer, the promotions they arrange and their loyalty schemes are superior to those offered by competitors. By meeting these aims, higher numbers of consumers, who are multiple cardholders, are likely to use their card as a main card, thereby generating more income for their credit card issuer.

Originality/value – The study provides an original insight into an important element of consumer behaviour in the credit card market and also offers guidance for marketing managers responsible for enhancing credit card ownership and usage.

Keywords Credit cards, Consumers, Singapore

Paper type Research paper

Introduction

The credit card market has grown markedly since the first cards were introduced in the 1950s (Durkin and Price, 2000). By 1998, three quarters of all families in the USA had one or more credit cards, up from about one half of the population in 1970 (Durkin and Price, 2000). Multiple card holding has also become increasingly popular. For instance, in 2004, the average consumer in the USA held 5.5 credit cards, whilst an average



International Journal of Bank
Marketing

Vol. 25 No. 2, 2007

pp. 89-101

© Emerald Group Publishing Limited
0265-2323

DOI 10.1108/02652320710728429

consumer in South Korea held 3.6 credit cards (Yahoo, 2005). In the UK by the end of 2005 there were 70 million credit cards in circulation, held by 31.6 million cardholders, with an average of 2.4 cards per person. (APACS, 2006). This is a growth of 14 million cardholders since 1995 and credit cards are now held by over two-thirds of the UK over-18 population. Spending on credit cards in the UK was £125 billion in 2005, with the average value of a credit card transaction being £60 (APACS, 2006). Multiple card holding appears then to have become a feature of the credit card market in a range of countries in North America, Europe and Asia. Given the extent to which multiple cardholding appears to exist, a key objective for card issuers today is to ensure that their card is “top of the wallet/top of the purse” and is used to a sufficient extent to ensure profitability.

This study seeks to extend knowledge about credit cards by investigating two matters relating to consumers who are multiple cardholders. The first of the two issues is to identify why some consumers have a preferred or main credit card, this being a credit card which is used more frequently than any other credit card that a consumer holds. In other words, such a card is positioned “top of the wallet/top of the purse”. Although the academic studies of Kinsey (1981) and Hawes (1988) have recognized that some consumers hold more than one credit card, neither of these studies nor any other known study have sought to determine if and why multiple cardholders use one of their cards more often than others (i.e. why they have main and subsidiary cards). In identifying why some consumers consider one of their credit cards to be a main card, we make a contribution to the literature by extending the studies of Kinsey (1981) and Hawes (1988).

The second of our research questions is to classify the various types of spending which are made using main and subsidiary cards. While Lindley *et al.* (1989) identify the types of spending that consumers make using all their credit cards, no known research has sought to establish if the categories of spending made with credit cards differs between main and subsidiary cards. By addressing this second issue our study makes a further contribution to the literature.

In addition to an academic contribution, our findings will be of interest to marketing managers who have responsibility for promoting credit card ownership and usage. Such managers will find the results useful in providing guidance about how they can encourage multiple credit cardholders to view their card as a main card. As such cards are, by definition, used more often, card issuers which are successful at encouraging more multiple cardholding customers to consider their card as main card, would generate more revenue per issued card for their credit card organisation.

The next section in this paper provides a review of various credit card studies. A description of our conceptual framework follows, which forms the basis for our two research questions. An explanation of how we used a survey to acquire data is presented in the research methodology section which also contains a description of the methods used to analyse the acquired data. After results are presented, the extent to which our findings add to the literature is illustrated. Suggestions are provided about how marketing managers within credit card organizations may seek to increase the number of multiple card holders who use their card as a main card. In the concluding section, we summarize the key findings of this study and suggest additional research which would further our understanding of consumer behaviour in credit card markets.

Credit card studies

Mathews and Slocum (1969) and Slocum and Mathews (1970) classify credit card holders into two categories, based on their “use” of credit cards. The first group is labelled “instalment users” because they elect to pay an amount less than their monthly balance and by rolling over part of the debt, they consequently pay interest charges. The second group is labelled “convenience users”. This group considers cards as substitutes for cash and they pay all the balance due within the billing cycle. More recent terminology (see Worthington, 2005) categories these repayment behaviours as “transactors” (those who repay in full at the end of each billing cycle) and “revolvers” (those who do not repay in full and hence take debt and pay interest on that debt). In both studies, the researchers compare cardholders based on their social class. They find that upper class cardholders, in comparison with lower class cardholders, have a greater tendency to use cards for the convenience they offer and to pay the whole sum due within the billing period.

Kinsey (1981) sought to identify if there was a relationship between the financial and demographic characteristics of households and the number of credit card accounts that they maintained. Households with very high incomes were found to hold the largest number of credit cards. Other characteristics, which were found to have a significant influence on the number of cards held, were place of residence, use of checking and savings accounts and attitude towards credit.

Hawes (1988) established the demographic characteristics of cardholders, the types of card they owned, the frequency of card usage and the main advantages and disadvantages of card ownership. The findings were compared with a similar set of data acquired in 1971. In general, cardholders tended to be from the more upmarket groups (i.e. those with higher demographic profiles), although the gap between those in the up-market and down-market groups had narrowed between 1971 and the later sampling date of 1984. A major concern found in the earlier study related to security issues. Such concerns were far less strong in the later study, this change being attributed to the protection/insurance schemes which card issuers had introduced between the two data acquisition dates.

Lindley *et al.* (1989) identified the characteristics of consumers who held credit cards and established the types of spending for which they used their credit cards. This study, just like that of Hawes (1988), was longitudinal. The findings suggested that the growth in number of households which possess credit cards had slowed since 1971, implying that the market had become more saturated. Card usage had increased for payments relating to furniture/appliances, clothing/shoes and small household goods (sheets, towels, dishes, etc.) but had declined for gasoline/oil payments.

The Greek study of Meidan and Davos (1994) developed fifteen attributes which were considered useful in determining what influences consumers when selecting a credit card. Responses about the importance of these attributes were factor analysed, creating five selection dimensions. The most important dimension was the level of acceptability abroad, followed by the level of acceptability in Greece, in-built security features, “economic” benefits and prestige afforded. Maysami and Williams (2002), in a Singapore setting, conducted a replicated study. Despite the two studies being conducted almost a decade apart and in very different locations, the ranking of the same five selection factors was very similar. More generally, Worthington (1998) comments that plastic cards are increasingly key in facilitating the distribution and

delivery of a wide range of financial services. Worthington and Edwards (2000) note that credit card issuance provides an ideal opportunity for companies (card issuers or banks) to form relationships with new customers, where no previous banking relationship existed.

The literature described above provides details of the key studies about credit cards. The literature illustrates that only a few researchers (Kinsey, 1981; and Hawes, 1988) have recognised that certain consumers hold more than one credit card. Aside from noting its existence, no studies appear to have been conducted on the behaviour of multiple card holders. Such studies become even more relevant when industry reports reveal that the number of credit cardholders in the UK who repay their credit card debt in full at the end of each billing cycle, has grown from 56 percent in 2004, to 59 percent in 2005. (APACS, 2006). In the following section, we explain how our study seeks to widen credit card knowledge by addressing two issues about the credit card market, both of which relate to multiple credit cardholders.

Conceptual framework

The credit card market has evolved rapidly since the early 1950s. Today, there is a very wide card ownership base, especially in the developed countries, in which multiple credit card holding has become the norm (APACS, 2006; Yahoo, 2005). Very little is known about multiple credit card holders and their behaviour and, as a result, the area offers a broad range of research opportunities. In pursuance of such opportunities, our study investigates two issues related to multiple credit card ownership.

First, in respect of multiple cardholders, different types of usage pattern may be observed. For example, some multiple cardholders may use each of their cards to approximately the same extent and, in so doing, effectively share their credit card spending between their portfolio of cards. This behavioural pattern may be due to either a conscious choice process or a random choice of card each time a purchase is made using the card. The overall result is that, on average, all cards are used to approximately the same extent. In contrast, other card holders may hold what they consider to be a main credit card, which is purposely used more often than their other cards. Their other cards may be considered as subsidiary in the sense that they are used less frequently or perhaps kept in reserve. In order to develop an awareness about usage distribution between a portfolio of cards, it is pertinent to ask what motivates individuals into having what they consider to be a main card. Thus:

RQ1: What motivates certain multiple credit cardholders to have a main credit card?

Posing the first question is very important, given that a fee of on average 3 per cent of the value of a transaction is normally levied on the merchant who accepts the card transaction, for credit card payments and a main card will generate a far greater and more consistent fee income for the card issuer than those cards treated as subsidiary. Thus, from a marketing and business planning perspective, it is important to ascertain what influences consumer behaviour with respect to credit card status (i.e. main or subsidiary) as this has important implications for income generation.

The study of Lindley *et al.* (1989) provides an indication of certain types of spending which are made using credit cards and how spending behaviour has changed since the

early 1970s. The results of this North American study provide some background information about the various types of credit card spending consumers effected at the time. Given the narrow range of reported payment types and the shifting in the market place since this pre-1990 study, the findings may be considered as somewhat dated. For example, today, a wider range of outlets accept credit cards; cards can be used to pay for goods and services over the telephone and the internet; etc. Given these and other changes, there is justification for conducting an up-to-date study to establish the broad range of types of spending which are carried out using credit cards. On the basis that spending patterns in this study will be determined for both main and subsidiary cards, our study will extend the findings of Lindley *et al.* (1989). Our second research question seeks to identify spending patterns:

RQ2: What types of purchases are made using a main and subsidiary credit cards and are any differences in spending patterns apparent?

In the following section, we describe the research method that was used to address the two research questions.

Research methodology

Research design

This paper grew out of an interest in developing knowledge about certain issues relating to multiple credit card ownership and usage. Our study uses a survey, this being consistent with the predominant approach adopted in the research described in the “credit card studies” section of this paper.

Sample

Sampling took place in three different districts of Singapore and, in each location, responses were sought in the late part of the afternoon and evenings on three successive Saturdays and Sundays. In each sampling session, the aim was to obtain 25 responses. Consumers were randomly approached and provided with an explanation of the nature of our study. In this explanation, we indicated that we were seeking feedback from multiple credit cardholders and, if they satisfied this screening question, we asked if they would immediately complete a survey form. Over the data acquisition period, 141 useable responses were obtained. Of these respondents, 120 (85 per cent) indicated that they had a main card. This paper merely reports on the feedback of these 120 consumers.

The respondents had the following characteristics: 53.3 per cent were male; 53.3 per cent were single; 60.8 per cent were aged 30 or below; 46.7 per cent earned less than SGD3,000 per month (SGD3,000 approximates to Singapore’s average monthly wage); and 30.8 per cent did not have a degree. These characteristics show that multiple credit cardholders who have a main card are somewhat equally represented across the gender, marital and income groups. There is a higher representation of those in the younger age groups, the higher paid and the better educated.

Survey form

The survey form contained three sections. The first section aimed to identify with which banks each respondent had credit card accounts and which type(s) of card they held. Feedback in this section aimed to verify that each respondent was a multiple credit cardholder.

The second section contained two questions which were for completion by those multiple cardholders who had both main and subsidiary cards. The first sub-section explained the meaning of the term “main card”, this card being one which is used more frequently than other(s). For those respondents who held a card which satisfied this criterion, they were asked to describe why they had a main credit card. Responses were captured in writing in the form of open-ended statements. The second sub-section sought to identify, using open-ended statements, the various types of purchases respondents made using their main card and the various types of purchases they made using their subsidiary card(s).

The final section sought demographic details in the form of gender, age, marital status, gross monthly income and highest education level.

The draft version of the survey form was subject to two stages of pre-testing. In the first phase, we asked six multiple cardholders to complete the form and comment on the understandability of the instructions, indicate if any of the content lacked clarity and provide feedback about any other concerns. After modifying the survey form to accommodate some suggestions which aimed to improve the wording of the instructions, the form was tested again with six more multiple cardholders. No negative feedback was received in this second testing stage.

Analysis

The open ended responses were subject to a content analysis procedure (Krippendorff, 1980). This sorting method was used to classify those responses which explained why respondents had a main credit card. The reasons provided were put into a word file, the data being recorded against a number allocated to each respondent. Responses were subsequently cut and pasted so that reasons reflecting the same theme were grouped together. Once all the responses had been analysed, the classification was reviewed and adjustments were made where necessary. Labels were given to the groups which emerged. The analysis was placed to one side and reviewed again some two weeks later. Upon review, where there appeared inconsistencies in the classification, adjustments were made. The content of the groups at this stage was reviewed with the objective of determining if it was possible to join together any of the groupings. The analysed data was put aside for one month and reviewed again. Two authors worked independently in conducting this analysis. Once they had both finalised their analyses, they exchanged files. Differences of opinion were identified, discussed and resolved. A third party reviewed the analysis and, in matters where his opinion differed, discussions took place until a consensus was reached. The same analytical process was used to classify the open-ended responses about types of spending.

The responses given to questions in section 1 (credit card details) and 3 (demographics) were stored in an SPSS file. For the purposes of this paper, SPSS was used to determine the percentage of multiple cardholders who held a main card and their demographic profile.

Results

Two research questions were developed in the conceptual framework section of this paper. Immediately below, we present our results and address these two questions, the first of which was “what motivates certain multiple credit cardholders to have a main credit card?”

The content analysis procedure, as summarized in Table I, identified eight distinct reasons which explain why certain consumers hold a main credit card. The various reasons, in order of frequency of mention and a description of their meaning, are provided below.

The most frequently listed reason, accounting for almost 25 per cent of all mentions, was to benefit from the various discounts and promotions the card issuer made available, these being considered superior to those offered by competitors. Card users were able to benefit in an ongoing way from using their cards at specified outlets or organisations. They were able to buy goods or pay for services at certain retailers at prices below those normally advertised. Such discounts (e.g. price reductions at certain petrol stations) and promotions (e.g. access to “closed-door” events at prestigious time-piece shops with options to buy certain chronometers at exclusive prices) provided a strong motivation for individuals to exhibit a higher level of behavioural loyalty to one card.

The second most frequently listed reason, with just over 22 per cent of mentions, illustrates that card issuers appear to have created loyalty programmes whereby, for every dollar spent, points are awarded to the card user. Accumulated points can be exchanged in a variety of ways at a later date. Respondent feedback suggests that some card issuers offer a superior points (awards) programme. Moreover, it is logical for a cardholder to accumulate all or the vast majority of points on one card, as this provides an opportunity to redeem points for more valuable items.

The third listed reason, with just over 17 per cent of mentions, referred to a credit card being the one that was issued to them by the bank with which they maintained their main chequing and/or savings account. Some respondents mentioned that the first card they ever got (i.e. the one issued by their original bank) had become their main card. They had got so much into the habit of using it that, even after acquiring further cards, their first card was used more often than subsequently acquired cards.

The fourth most mentioned reason, at just under 11 per cent of mentions, was that cardholders are better able to manage their expenditure, keeping themselves more fully aware of their credit card spending, because they have focused payments on one of their cards. Using one card for all or the majority of purchases also appears to simplify the process of settling monthly credit card bills.

Pricing was mentioned the fifth most often, with 8.6 per cent of mentions. Pricing had various facets to it. Some respondents indicated that their main card issuer waived annual fees for a longer period of time compared with others or had schemes which

Reason	<i>n</i>	%
Offers superior discounts and promotions	46	24.9
Offers a superior points scheme	41	22.2
Due to existing bank relationship	32	17.3
Facilitates debt management	20	10.8
Superior pricing	16	8.6
Card design and appearance	13	7.0
Credit limit enhancement	9	4.9
Greater prestige afforded	8	4.3
Total	185	100

Table I.
Reasons why multiple
credit cardholders have a
main credit card
(*n* = 121)

enabled the fee to be eliminated (e.g. through exceeding a minimum value of payments in the prior year). Others talked about the offer of a free subscription, meaning the card issuer did not impose an up-front fee. A small minority of respondents indicated that their main card issuer did not strongly apply its laid down policy of imposing a fee on late payments. Finally, some perceived that the rate of interest that the issuer charged to be lower on the debt that they revolved

Card design and appearance was the sixth listed reason, at 7 per cent of mentions. Some respondents had a preference for the card which was more pleasing to the eye. Banks have started to use a variety of designs and a minority of cards incorporate a facial photograph of the cardholder on the front side of the card. While the latter feature aims to improve security, it has the additional impact of improving the appearance of the card and making it more personal.

Some 4.9 per cent of mentioned reasons referred to the main card issuer being flexible in respect of continuing to adjust their borrowing limit. In a similar vein, other respondents mentioned that, in special circumstances, they would need to breach their pre-existing limit. They knew they could approach their card issuer and request a temporary higher borrowing limit. In making such an approach, they found it was a relatively easy task to negotiate a higher borrowing limit, albeit a temporary one.

The least frequently mentioned reason, at 4.3 per cent of mentions, for having a main card was that, when presenting a certain card, the holder felt superior to the broader mass of credit cardholders; in other words, it afforded them prestige. This could be attributed to the perceived status of the issuing bank. When travelling, especially overseas, some respondents may consider it is preferable to have a card which bears the name of an internationally recognized bank. Such consumers may feel that they and their card are more acceptable with a globally recognized brand name, such as Citibank or HSBC, rather than a card issued by a domestic bank.

Let us now move on to the second research question, "What types of purchases are made using a main and subsidiary credit cards and are any differences in spending patterns apparent?" The content of Table II summarizes respondent feedback and enables us to address research question 2.

What cards are used for	Main card <i>n</i>	Subsidiary cards ^a <i>n</i>
Living expenses	78	26
Leisure/entertainment	55	14
Travel	34	4
Car expenses	24	4
Almost everything	18	
Big ticket items	16	
Online purchases	6	
Instalment plans	4	
Other reasons	3	
Small ticket		2
Total	238	50

Table II.
Types of spending using
main and subsidiary
cards (*n* = 121)

Notes: ^aA total of 69 respondents indicated that their subsidiary card was not actively used, being held merely for standby purposes

Before discussing the content in the body of Table II, it is worth mentioning that more than half of the respondents who held both main and subsidiary cards indicated that their subsidiary cards were (merely) held for stand-by purposes. As such, these cards would probably be restricted for use when either a cardholder has borrowed up to their credit limit on their main card account or if a transaction approval could not be obtained issuing a main card because of, say, a technical glitch or if their main card is not accepted at the outlet being visited.

The body of Table II illustrates not only the broad range of types of purchases made using main cards but also the relative frequency of mention by respondents. Main cards, as seen from the top part of Table II, are strongly favoured for spending on living expenses (i.e. paying domestic bills, for clothing, etc.), paying for leisure/entertainment, travel and car expenses. Main cards are seen as being used exclusively for big ticket items, on-line purchases, instalment plans, while 18 respondents mentioned they are used for “almost everything”. The types of spending illustrated in Table II are not only broader than those reported in Lindley *et al.* (1989), they also illustrate a distribution between main and subsidiary card. Add in here a comparison of spending in Singapore with spending patterns in the UK ex. APACS?

Implications

The analysis has identified various factors which cause certain multiple cardholders to consider one of their cards as a main card. The findings provide important guidance for those involved in the marketing and supply of credit cards.

Credit card marketing managers are no doubt extremely keen to ensure that their card is “top of the wallet/top of the purse” and considered to be the holder’s main card. Discounts and promotions offered to purchasers using a particular card would appear to be crucial in ensuring that a card becomes and/or remains a consumer’s main card. Thus, provided the costs of offering such discounts and running such promotions do not outweigh revenue generated in the long run, pursuing such a strategy would appear to offer an increased chance of one card being considered a main card. Marketers, when pursuing this objective, also need to possess a certain level of negotiating skills in order to persuade the proprietors of the targeted outlets that, by providing discounts and promotions to cardholders, it will work to the long-term benefit of their business. No doubt important negotiations are also required as to exactly who funds such promotions. Ultimately, a business model which allows both the card issuer and the retailers involved in discounts and promotions to benefit is key. In formulating this strategy, marketers have the option of offering discounts and promotions across a broad range of retailers at all times or focusing their efforts on specific retail sectors at certain times of the year. The former strategy is likely to be superior given that it offers a more balanced programme throughout the twelve month cycle; the latter strategy offers certain benefits, given that it concentrates resources and effort on certain sectors at times of the year when demand is likely to be high and it could be made higher.

Loyalty programmes were also shown to be important in our study. It is interesting to note that such programmes were mentioned as being important in determining which card is main more than twice as often as pricing concerns. Thus, institutions which are attempting to compete in the market by offering low fees and charges may achieve little more than penetration of the “subsidiary” market. It is unlikely that such

a strategy will create a substantial number of new “main” card holders. Loyalty programmes, along with discounts and promotions appear far more likely to attract a much higher volume of business.

The presence of an existing bank relationship was the third most mentioned reason. This finding indicates that banks should make every effort to cross sell its credit card service to all appropriate banking customers as soon as possible after they commence a relationship with the bank. Our results show that there is some advantage to being first in providing a credit card to a consumer. Banks and their credit card organizations should devise a joint strategy concerning new bank customers to ensure the maximum degree of cross selling at the point when an account is first opened. However, the degree of risk associated with offering a card to new customers, who may not have a proven track record with the bank or a good credit rating will also need to be considered. If the risk across the board is considered relatively small, why not offer all new customers the opportunity to have a card, but applying a very low borrowing limit? The credit card organization can monitor the way the new customer observes the account limit, while the mainstream banker can closely watch how the new customer’s checking/savings account is being operated. If a new customer operates his/her account in a satisfactory way, the limit on the credit card account can be raised accordingly. An alternative policy, the bank and credit card organization may lay down is that, provided the customer’s bank account is operated in a satisfactory way for a period of three (or say six) months, the bank will approach its credit card organization making a preferred application. With such a policy in place, new customers are not only aware of the credit card service but also the likely time when a card could be issued to them. Such a policy enhances the banker-customer relationship and should, at the same time, give the bank’s credit card organization first mover advantage. Even if customers do not frequently use the card in the early months after issue, they may become more active later on. By getting them into the habit of using the card, even if in due course they successfully apply for other cards, evidence suggests that because of habitual use, the first card is likely to be their main card and, hence, it will be used more often.

Given that money management was the fourth most mentioned reason, credit card issuers could also emphasize to those who are multiple cardholders that it is advantageous for them to focus usage on one card, that card being their own card, of course! If customers are convinced that this acts to their benefit, they would see how they are better able to control their expenditure through simpler monitoring. Moreover, when a monthly credit card bill has to be paid, it can be achieved in a simple way by issuing a single check in settlement. Concentrating usage on one card also facilitates the build up of award points, thereby enabling a cardholder to accumulate sufficient points to claim a high value item.

Other factors, such as pricing, design, borrowing limit flexibility were also mentioned, albeit far less frequently than the factors outlined above, which accounted for over 75 per cent of all mentions. In respect of pricing policy, card issuers should note that pricing initiatives appear to have limited influence on the main card market. However, perhaps not surprisingly, cardholders seem to prefer card issuers who do not charge up front fees or annual fees thereafter. The former fee is a barrier to becoming a customer in the first instance; the latter is an on-going fee and, if rigidly applied, may ultimately lead to customers closing their credit card account. Card issuers may also

wish to consider in what ways they could improve the physical appearance of their cards. Obviously, standardization reduces the cost of producing cards; but, could issuers consider simple ways of making their cards more personal/unique to the customer? As an illustration, some credit card issuers have recently started to offer cards which have one of their four corners rounded rather than squared off. Examples are the “Mint” card in the UK and the MC² and Air Asia cards in Singapore.

Few respondents mentioned that one card was more prestigious to hold compared with others. Banks may still wish leverage on this point, illustrating the advantages which accrue to a cardholder’s status through tendering the card (e.g. cardholders are, say, able to show their affiliation to a certain bank). It is probably easier to get consumers to appreciate this if the issuing bank is a global one, whereby it has a presence in a variety of countries across all continents. Possessing such a card immediately makes the card and its owner more acceptable. Tendering the card of a bank which has all or most of its presence in a small home country may, when on overseas trips, be perceived as making the card and the cardholder less acceptable.

The results of the current study provide important pointers as to how to encourage customers to consider a particular credit card as their main card. If a card issuing organization can occupy this position, then increased revenue is likely to result as evidenced by the feedback used to address research question one and the information provided for addressing research question two regarding spending patterns for main and subsidiary cards. This data indicates that main cards enjoy greater usage for the vast majority of spending categories, including big ticket, high value items. Subsidiary cards enjoy an advantage in only one area of expenditure, that being with “small ticket/low value” transactions. On balance, the findings from this study present a relatively bleak picture for providers of subsidiary cards. Such cards are unlikely to enjoy frequent usage and are more likely to be used for low value transactions when they are used at all. Given that there are substantial fixed costs associated with the provision of credit cards (set up costs, material costs, statement printing and postage, etc.), it is unlikely to be profitable to provide cards which are used infrequently, particularly where the full balance is cleared every month. Given that some 85 per cent of our respondents held main cards, it infers that many credit card companies must be in a position where a significant proportion of their issued cards are only used in a subsidiary role. Notwithstanding possible opportunities for cross selling, it is likely that a card issuer could increase its profits by reducing its servicing of subsidiary cards. Card issuers, thus, may wish to consider specifying a minimum number or value of transactions per annum required to avoid paying a renewal fee or, in the extreme, instigating a policy of terminating low usage accounts.

Conclusions

This study conducted an investigation into two important aspects relating to the behaviour of multiple credit cardholders. The findings identified nine reasons which explain why certain multiple cardholders consider one of their portfolio of credit cards to be a main or “top of the wallet/top of the purse” card. The most frequently mentioned reasons were that the card issuer offered superior discounts and promotions and had a better rewards’ scheme. The other frequently mentioned reasons were due to an existing bank relationship and for simplifying debt management.

Somewhat surprisingly, factors such as superior pricing and prestige afforded by a particular card, along with card design and credit limit enhancement were amongst the less frequently mentioned reasons for a card being viewed as preferred, or main, by consumers.

The data on card usage provides evidence of the advantage to credit card organizations of being the supplier of a main rather than a subsidiary card. The main card was used more frequently for almost all categories of expenditure, the one exception being "small ticket/low value" items. The usage findings suggests there is limited appeal for credit card organizations to provide cards considered as subsidiary. Many subsidiary cards are used only in an unusual or emergency situation, for instance when the main card is not accepted due to network outage.

The primary limitation of this study is that the generalizability of the findings cannot be guaranteed. Although there is no particular evidence that Singaporeans behave differently to others in the credit card market, replication of the findings in other countries would confirm the generalizability of the findings if this study. The study was qualitative in nature and a further natural development is to conduct a quantitative study which aims to provide further insights into how important each of the nine factors is on decisions to consider one credit card as a main card. By conducting such research, a degree of triangulation of findings would be provided and greater robustness of evidence would result. Suggestions for other studies naturally arise from the two most frequently mentioned reasons identified in this study. For example, what types of discounts and promotions would consumers find most attractive? What features of a loyalty scheme are considered to be superior? Further research in these areas would extend our understanding about the behaviour of multiple credit card holders.

References

- APACS (2006), *UK Payment Statistics*, Association for Payment Clearing Services, London.
- Durkin, T.A. and Price, N. (2000), "Credit cards: use and consumer attitudes, 1970-2000", *Federal Reserve Bulletin*, September.
- Hawes, D.K. (1988), "Bankcard-holder profiles: changes over an eleven-year period", *Akron Business and Economic Review*, Vol. 19 No. 2, pp. 106-24.
- Kinsey, J. (1981), "Determinants of credit card accounts: an application of Tobit analysis", *The Journal of Consumer Research*, Vol. 8 No. 2, pp. 172-82.
- Krippendorff, K. (1980), "Content analysis, an introduction to its methodology", Sage, Beverly Hills, CA.
- Lindley, J.T., Rudolph, P. and Selby, E.B. Jr (1989), "Credit card possession and use: changes over time", *Journal of Economics and Business*, Vol. 41, pp. 127-42.
- Mathews, H.L. and Slocum, J.W. Jr (1969), "Social class and commercial bank credit card usage", *The Journal of Marketing*, Vol. 33, January, pp. 71-8.
- Maysami, R.C. and Williams, J.J. (2002), "Credit and charge card selection criteria in Singapore", paper presented at The Pacific Basin Finance, Economics and Accounting 10th Annual Conference, Singapore, 7-8 August.
- Meidan, A. and Davos, D. (1994), "Credit and charge card selection criteria in Greece", *International Journal of Bank Marketing*, Vol. 12 No. 2, pp. 36-44.

-
- Slocum, J.W. Jr and Mathews, H.L. (1970), "Social class and income as indicators of consumer credit behavior", *The Journal of Marketing*, Vol. 34, April, pp. 69-74.
- Worthington, S. (1998), "The card centric distribution of financial services: a comparison of Japan and the UK", *International Journal of Bank Marketing*, Vol. 16 No. 5, pp. 211-20.
- Worthington, S. (2005), "Entering the market for financial services in transitional economies: a case study of credit cards in China", *International Journal of Bank Marketing*, Vol. 23 No. 5, pp. 381-96.
- Worthington, S. and Edwards, V. (2000), "Changes in payments markets, past, present and future: a comparison between Australia and the UK", *International Journal of Bank Marketing*, Vol. 18 No. 5, pp. 212-21.
- Yahoo (2005), "Average number of credit cards held by S. Koreans down in 2004", Yahoo Australia and New Zealand, March, available at: <http://au.news.yahoo.com/050321/3/tlgv.html> (accessed 4 April 2005).

Corresponding author

Steve Worthington can be contacted at: steve.worthington@buseco.monash.edu.au

This article has been cited by:

1. Abhilash Ponnamp, Debajani Sahoo, Abhigyan Sarkar, Surya Narayan Mohapatra. 2014. An exploratory study of factors affecting credit card brand and category selection in India. *Journal of Financial Services Marketing* **19**, 221-233. [[CrossRef](#)]
2. Sandra Awanis, Charles Chi Cui. 2014. Consumer susceptibility to credit card misuse and indebtedness. *Asia Pacific Journal of Marketing and Logistics* **26**:3, 408-429. [[Abstract](#)] [[Full Text](#)] [[PDF](#)]
3. Jing Jian Xiao, Rui Yao. 2014. Consumer debt delinquency by family lifecycle categories. *International Journal of Bank Marketing* **32**:1, 43-59. [[Abstract](#)] [[Full Text](#)] [[PDF](#)]
4. Chris Baumann, Hamin Hamin, Wendy Ming-Yen Teoh, Siong-Choy Chong, Shi Mid Yong. 2013. Exploring the factors influencing credit card spending behavior among Malaysians. *International Journal of Bank Marketing* **31**:6, 481-500. [[Abstract](#)] [[Full Text](#)] [[PDF](#)]
5. Charles Blankson, Audhesh Paswan, Kwabena G. Boakye. 2012. College students' consumption of credit cards. *International Journal of Bank Marketing* **30**:7, 567-585. [[Abstract](#)] [[Full Text](#)] [[PDF](#)]
6. Arpita Khare, Anshuman Khare, Shveta Singh. 2012. Factors affecting credit card use in India. *Asia Pacific Journal of Marketing and Logistics* **24**:2, 236-256. [[Abstract](#)] [[Full Text](#)] [[PDF](#)]
7. Sanjai K. Parahoo. 2012. Credit where it is due: drivers of loyalty to credit cards. *International Journal of Bank Marketing* **30**:1, 4-19. [[Abstract](#)] [[Full Text](#)] [[PDF](#)]
8. Manuela Pulina. 2011. Consumer behaviour in the credit card market: a banking case study. *International Journal of Consumer Studies* **35**:1, 86-94. [[CrossRef](#)]
9. Zafar U. Ahmed, Ishak Ismail, M. Sadiq Sohail, Ibrahim Tabsh, Hasbalaila Alias. 2010. Malaysian consumers' credit card usage behavior. *Asia Pacific Journal of Marketing and Logistics* **22**:4, 528-544. [[Abstract](#)] [[Full Text](#)] [[PDF](#)]
10. Minna Autio, Terhi-Anna Wilska, Risto Kaartinen, Jaana Lähteenmaa. 2009. The use of small instant loans among young adults - a gateway to a consumer insolvency?. *International Journal of Consumer Studies* **33**:4, 407-415. [[CrossRef](#)]