

## **SMALL-SCALE QUALITATIVE SURVEY**

*Conducted for the Competition Commission by ORC International*

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### **Contents**

<b>1</b>	<b>Introduction</b>	<b>1</b>
<b>2</b>	<b>Methodology and Sample</b>	<b>2</b>
<b>3</b>	<b>General Observations</b>	<b>4</b>
<b>4</b>	<b>Indicative findings</b>	<b>6</b>
<b>5</b>	<b>Indicative findings</b>	<b>10</b>
<b>6</b>	<b>Indicative findings</b>	<b>12</b>
<b>6</b>	<b>Summary</b>	<b>13</b>

# 1 Introduction

This report presents findings from the Store Card depth interviewing survey.

## **Background and Research Objectives**

The Competition Commission assigned ORC International to conduct a qualitative piece of research on their behalf. The research is part of an inquiry being undertaken by the Competition Commission investigating the credit given with storecards.

The Competition Commission wish to learn more about how consumers initially become aware of their need or desire for having storecards, their motivation for adopting them and for continuing to use them.

Further considerations that require investigation are whether there are identifiable consumer segments who regularly use storecards and who will frequently roll over their debt from one month to month. If these segments are clear cut, how can they best be identified and in what ways are their storecard usage different in terms of behaviour and attitude in comparison to other storecard users.

## **Objectives**

1. To test the hypothesis that storecards and credit cards (and other forms of credit) are realistic alternatives for customers;
2. To estimate sensitivity to APR and penalty charges as well as to discounts and special promotions;
3. To explore the transparency of terms and conditions offered to customers;
4. To understand why some store card customers use their card just as a means of getting a discount or as a convenient payment method, while others use it as a source of credit beyond the initial interest free period when less costly borrowing methods are available to them, and who these people are.

## 2 Methodology and Sample

Between the dates of 14<sup>th</sup> July and 6<sup>th</sup> August ORC International achieved 40 depth interviews with respondents from varying backgrounds as had been specified by the Competition Commission, based on the incidence reported in an earlier OFT study of recent storecards users, and detailed further within this document. The interviews themselves took approximately 45 minutes to conduct and were done in home at varying times of the day depending on the respondents' availability.

Most of the London and South East interviews were conducted by the Research Executives working on the survey whilst those that were conducted in other parts of the UK were done by ORC International specialist (qualitative) interviewers. All interviewers recruited their own respondents at the start of the field work dates.

### Card Specific Quotas

The first level of categorisation of all respondents was where they fit in terms of being 'revolvers' or 'non revolvers. Revolvers themselves were split into two types, heavy (those who make the minimum payment towards the balance of their storecards) and light (those who pay more than the minimum but do not pay the balance in full each month). We needed to speak to at least 8 of each and a further 8 Non revolvers (those who pay the balance of their storecards in full at the end of each month).

It was decided that only 4 'hit and runs' were to be included within this particular piece of research due to the fact that previous research had already looked in depth at 'hit and runs' and so was felt unnecessary to include many here.

Respondents were then broken down into how long each had owned their cards for – 5 years or more, less than 5 years and also the frequency of their usage of their store cards, i.e. less often than once a year, 1 – 6 times a year or more than 6 times a year.

### General Quotas

The Competition Commission wanted ORC International to speak with at least 8 men, working full time; and a further 24 women of varying employment status.

The Competition Commission also wanted the respondents to come from differing household income brackets and these were broken down as follows:

- Above average income – earning more than £25k

- Average income – between £15k and £25k
- Below average income – less than £15k.

The requirement was that we recruit at least 12 from each of these brackets.

Although no quotas were set for age, as broad a range of ages as possible was asked for.

In order to find people who own storecards quickly and effectively, ORC International purchased 'lifestyle' sample. This sample is made up of people from across the UK who have filled in and sent back a postal questionnaire which has around 150 lifestyle questions therein. The questions cover a huge variety of subjects from usage of soap powder to whether holidays abroad are taken to ownership of credit cards and/or storecards.

As with any small-scale qualitative research, it should be borne in mind that the attitudes and views expressed in the 40 interviews reported here do not necessarily occur with the same frequency among all storecard users.

### **The Discussion Guide for the Interviews**

A discussion guide was used to provide a consistent the basis for each interview. To set the interview in context, a number of questions that centred on card ownership were asked of each respondent. These included length of ownership, interest rates and outstanding balances and whilst the main areas covered in the interview were based on the most recently obtained card, most respondents did voluntarily offer information on all of their storecards where they owned more than one. Although these factors may have some correlation with behaviour and attitudes towards storecards, this report focuses on the messages coming through most strongly from the research.

### 3 General Observations

#### Gender Differences

It was harder to find males in full-time employment than it was to find women to take part in this survey. It was discovered that of the men that *were* found, it was easier to find 'light revolvers' than from the other categories. It was also easier to find men with storecards who were more likely to come from households with above average incomes.

When looking at card ownership, one interesting discovery was that men in full-time employment in our sample usually were in possession of one storecard but usually held more than one credit card. The opposite was true of the women we spoke to, in that they were more likely to own more than one storecard – sometimes as many as 5 or 6, but held only one credit card.

#### Income Brackets

Each type of card user was represented across all the income brackets in almost equal measures. Non revolvers were more likely to come from households with an above average income (£25k or more) whereas light revolvers tended to come from households with an average income (between £15k and £25k). No single clear cut income category emerged from this particular survey in terms of the heavy revolvers.

#### General Behavioural Findings

It was far harder to find heavy revolvers to take part in the survey during the recruitment stage. However, it was discovered, during interviewing, that some of those who had qualified as light revolvers actually turned out to be heavy revolvers or at least border line heavy revolvers.

It appears that during recruitment, possibly as no real rapport had yet been built between interviewer and respondent, many found it hard to actually admit that they did only pay back the minimum requirement to their cards. Only once the full depth interview was taking place did it emerge that some light revolvers had opted for one of the less 'damning' or embarrassing statements that categorised them into the card usage types.

Many respondents said that frequency of their visits to a particular store gave an added reason to take out storecards for those stores. This applied more to women than to men. The men usually took out storecards for large department stores where they could

browse and purchase from a larger more varied product range, where differing designer wear and often where concessionaries from single chain stores can be found under one roof. The women, on the other hand, had their favourite stores and mainly had cards from those.

Many women spoke of how their storecards were for them alone and were not for 'sharing'. Many came from families with children which often meant they tended to spend most of their money on the children or on their household. What appears to come across is that their storecard [was a "little luxury" that] allowed them to spend on themselves without feeling guilty. As one woman stated: "...it is my little bit of spending time, I can go into the shop and say, right, I am going to buy that for myself."

It seemed that many respondents did not see Storecards as a serious form of credit. They tended to be seen as a more 'frivolous' type of credit spend and were less important than regular credit cards or other forms of credit. This seemed to be due to the fact that credit cards and other forms of credit were often used for emergencies – credit was used as back up, 'just in case' and to buy peace of mind. These types of credit were seen as extra money that could be used to help, whereas storecards were not used for necessities but more for "treats" and "luxuries".

Many respondents felt that owning storecards, and in fact having credit at all, was a way of being able to have control over their finances. There was a belief that paying off borrowed money enabled them to manage monthly incomings and outgoings more smoothly and effectively.

In general, most respondents from all categories, said they used their storecard 1 – 6 times a year with a few heavy revolvers and non-revolvers saying they used their cards more often than this. On further reflection, during the interview, some (especially light revolvers) did realise that they had been underestimating and felt they did in fact probably use their card more often than they initially thought. However, some heavy revolvers did say they were unable to use their cards more often than 1 – 6 times simply because they had used up their credit early on.

## 4 Indicative findings

### Reasons and Benefits

The sample gave many different reasons for obtaining a storecard. However, a couple of main reasons were mentioned by almost all respondents taking part in the survey. The first was that the Sales Assistant in-store asked if they would like one, if they did not already have one. No respondents felt, though, that they had been pressurised or even persuaded to take out a card. Most said it was an impulsive act based on a suggestion *“it was just I hadn't thought of it at the time, but as soon as the idea was mentioned I thought 'yes', it was probably a good idea for me”*

The second reason went hand in hand with the first: an incentive being offered if one was taken out on that particular day. Most incentives offered were a percentage off their purchases that day, usually 10%. However, some mentioned other incentives such as toiletries, airmiles or other levels of discount.

This incentive was not a deciding factor, however, and it must be noted that many respondents who were offered a storecard subsequently took up the offer without any promotional advantages. The benefits of having credit appeared to have been enough to convince them. But a few, mainly light revolvers, said that they would not have taken out the card if an incentive had not been offered to them.

There were other reasons mentioned although these were mostly in addition to the two main reasons – some had been recommended to take one out by other family members or friends. Those who mentioned this option tended to be people who had owned their cards for many years, having obtained them at a time when storecards may have been less common and so they were more likely to have learnt of them by word of mouth.

Some respondents did want extra credit but more took out a storecard for convenience than for necessity.

Many thought the 'buy now pay later' option was an opportunity of managing their finances in another way. The ability to buy things, including large and expensive items, even if the respondent had no immediate funds or being able to purchase many items at one time, particularly for special occasions such as Christmas, birthdays etc were all attractive benefits. Some respondents found that these benefits and reasons enabled them to feel less anxious in general about money.

Others simply did not see a downside to owning a card and thought it was just a good idea to have one. It meant not having to dip into their accounts or allowed respondents the freedom of not carrying cash around with them – a couple of respondents mentioned the discomfort of opening their purses or wallets and having cash in view.

Almost no respondent had gone out with the deliberate intention of obtaining a storecard, apart from those who had had them recommended to them.

### **Considerations**

Almost all respondents took the offer up there and then and said they did not take any time to actually consider what the implications of taking out a card might be. Many said it took them around 10 minutes all in all and this included the filling in of the application form. Some pointed out that the actual decision took 30 seconds or less.

Many said they did not consider even the information regarding interest rates, and heavy revolvers, in particular, did not pay attention to it.

Few respondents mentioned other considerations such as yearly charges, hidden charges and the nuisance of unnecessary 'bumph'..

### **Frequency and Type of Storecard Use**

Heavy revolvers and non revolvers did not tend to limit themselves on what sort of items they would purchase with their storecards and would buy whatever took their fancy. Light revolvers were more 'self controlling' and more select about how they used their cards – they would only buy certain products and not others.

Light revolvers said they were more wary and cautious in how they used their cards. They worried more about getting carried away and so often used their cards more for special occasions or for specific items.

Non revolvers were often 'hit and runs', taking the card out for the discount or free offer and using it that once only. However, should there be any further offers, promotions or discounts to be had then they were likely to use their card again.

### **Other Credit Options**

All respondents had at least a bank account with a cheque book and debit card. Almost all had other credit options available to them including credit cards, overdrafts, personal loans and mortgages. Those who did not have any other credit options had chosen not to take them out rather than having been denied them.

Light and heavy revolvers said they saved their credit cards for emergencies or for purchasing large and expensive items whereas non revolvers used their credit cards for both emergencies and also for everyday shopping. Non revolvers enjoyed the fact that

they could use their regular credit cards anywhere and were not restricted to any one shop as they were with storecards. However light and heavy revolvers did not see their storecards as being restrictive, they pointed out that they visited that store often in any case. They would use other methods of payment in other stores if no storecard was held.

No respondent had given any thought to any other credit options during the time of taking out a storecard. This was likely down to the fact that they were acting on impulse at the time.

### **Other Purchase Payment Methods**

If not paying with their storecard, there was no one type of category of payment that heavy revolvers generally chose; cash, credit or debit cards, cheque were all mentioned. However, whichever way they opted to pay all had chosen their payment method because they believed it to be the best way to remain in control of their finances:

“I prefer cash and debit card because at least I know what I have got”, “Usually with my Visa card...because I like to limit how much I use the card for” or “Cheque. I like to pay with cheque so you know where you are”

Light revolvers differed in this respect and almost all said that they preferred to pay cash for purchases made if not using their store card. Again, as with the heavy revolvers, they also felt that paying this way helped them keep tabs on their finances.

Non revolvers used debit or credit cards to make payments. As with both heavy and light revolvers they liked to know where they were and felt that their payment methods helped them know this. Most did not like to carry cash and were more comfortable using cards.

### **Interest Rate Awareness**

Heavy revolvers, of all the categories of card users, were the least knowledgeable about interest rates. This lack of awareness covered both credit and storecard rates. Many heavy and light revolvers were under the impression that storecard interest rates were either equal to or less than credit card rates. This may be down to the fact that their storecards often had less credit available and therefore the repayments were likely to be less hefty than for their credit cards.

Non revolvers were unable to say off hand what the interest rates of their cards were, during the interviewing, but were aware that the rates were higher than credit cards and other forms of credit. They also understood, unlike the heavy and light revolvers, what

APR means. However, because non revolvers paid off their balances in full the interest rates and APR rates were unimportant to them.

When asked about interest free periods pertaining to their storecards, many heavy and light revolvers could not remember if anything had been mentioned about this and were unaware of what this meant to them. Again, non revolvers were aware of this and for them it was an important benefit that storecards offered.

During the actual process of taking out storecard accounts no respondent from any category felt that they were at all influenced by the interest rates. None of them considered this to be important at the time. For light and heavy revolvers the idea of owning a storecard, of having credit and obtaining 10% discount was the over-riding factor that outweighed anything else.

### **Payment Methods**

Non revolvers were usually non revolvers with their credit cards as well as with their storecards and paid all balances off monthly. They paid off their balance mainly by cheque. Some had started to use internet technology to conduct their banking and, of course, they all paid in full on a monthly basis.

Some heavy revolvers paid off more of their balance occasionally, but this was simply so that they could re-use their storecard again. They paid in a variety of ways – direct debit, cheque by post or over the counter, or by debit card over the phone. Again, they all paid- monthly,

Light revolvers also used all sorts of ways to pay.

Very few respondents said they missed any payments. Of those who did, many said that it was through no fault of their own. Unforeseen circumstances such as postal strikes etc were reasons given and usually any fees were waived because of this.

## 5 Indicative findings

### Store Promotions

As previously stated, the main reason that any respondent took out a card was due mainly to a spontaneous reaction to sales assistant suggestions. Some respondents recalled leaflets and signs about the store advertising storecards and discounts, but these were not what made consumers decide to take one, according to the respondents.

Further, for the heavy and light revolvers, both long and short term benefits were not usually the deciding factors for taking out storecards. In fact many heavy revolvers were unaware of any of the long term benefits, such as preview evenings or rewards and bonuses. Some light revolvers were a little more aware of the long term benefits but remained uninterested in them unless they were 'in the hand' type promotions such as £5 vouchers.

On the other hand, non revolvers were highly aware of long and short term benefits and were much more likely to be swayed by these, particularly the initial discounts. They were also more likely to reuse their storecards if there were other promotions to entice them to do so.

### Provision of Information – Interest and APR

Many heavy and light revolvers felt that although they must have been given some information, they were not given enough information regarding interest rates and APR etc at the time of taking out their storecards. However most admitted to not paying too much attention to any details given by the sales assistant and, furthermore, said they probably would not have paid much more attention if more information had been given. Few had any idea what APR is and some said they had not heard of it before.

In contrast, the non revolvers believed that plenty of information had been made available to them in store.

Heavy and light revolvers, because of their lack of knowledge, appeared to be less likely to take in or take on board the information that was being given to them.

### Provision of Information – Terms and Conditions

As with interest rates and APR heavy revolvers *thought they possibly might* have been given information regarding terms and conditions too at the time of taking out their card, but again admitted that they did not pay attention to any details. They often felt that this information was not really put in ways that they could relate to or could understand.

Terms and conditions might be on the back of statements, according to heavy revolvers, but the print was so small and the wording so dry that it was far too laborious to bother with.

### Provision of Information –Payment Protection and Card Insurance

Most respondents were aware of payment protection and card insurance. They were told of these options either in store at the time of taking out the card or they received a phone call at a later date. Most non revolvers declined any payment protection and refused card insurance as they already had policies that would cover all cards. Many heavy revolvers did initially take out payment protection insurance but some had subsequently decided to cancel. Many were concerned at how much they were paying extra for this protection.

## 6 Indicative findings

### Buying Behaviours

Both heavy and non revolvers stated that they would still have purchased the items on the day of taking out their storecard. They pointed out that it was mainly when they approached the store counter to pay that the offer was made. Light revolvers were more hesitant as to whether they would have paid for the items and *these* often remembered being approached during their visit before paying at the tills.

Heavy revolvers were adamant that their shopping habits did not change once they had a store card, although one or two said, when probed, that they might buy things they normally would not. They said that they would still purchase items from the store from where their card came, as they took out the card because they liked that store in the first place. However, they did not limit themselves to the stores they only had cards from.

Light revolvers said they found that their shopping habits changed once they had obtained a storecard. They were more likely to purchase items they would not have bought normally, and they would purchase more often from that shop. They also said they would tend to shop at stores at which they had a card.

Non revolvers were similar in attitude to heavy revolvers. They said they continued to shop in exactly the same way as without a storecard, they would simply put the purchase onto their credit card.

When asked specifically about “large and significant purchases” many varied definitions of large and significant were put forward. For some, for example a number of pairs of shoes totalling £100 was seen as large and significant, whereas for others a three piece suite from John Lewis costing £2,000 was seen as large and significant.

Heavy revolvers were quite happy and were fully prepared to pay off large purchases over a year or more, whereas light revolvers tried to set limits on themselves and tried to do so over as short a period as they could manage. Even for large and expensive purchases, non revolvers continued to pay immediately.

## 6 Summary

The users we spoke to regarded their storecards as a less serious form of credit than alternative credit sources. Therefore they afforded storecards less 'respect' and tended to use them more for frivolous purchases.

Heavy and light revolvers appeared to be oblivious of the level of APR. Not only did they seem to be uninformed but they appeared not to care.

Several respondents (mainly heavy and light revolvers) seemed to have a lethargic attitude towards the financial details. Information that could be read easily and had been written in ways to which they could relate seemed to be what most would like to see.

For revolvers, storecards were seen as a way of remaining in control of their personal finances. Storecards were used to enable purchases to be made at any time of the month even when no actual hard cash was available to respondents, and the ability to pay off at later dates and with small amounts was seen as a means of managing monthly incomings.

Non-revolvers tended to be far more aware and informed of how APR and interest rates would affect them economically should they decide to use the credit facilities offered to them. For them, though, this was not seen as something to worry about due to their chosen method of controlling their finances. They used storecards to their benefit, in that they took advantage of the discounts offered to them on initial uptake of the card. They were also more likely to read the literature that they received from the retailers and so did not miss out on continued benefits such as further discounts and offers, promotional evenings and pre-sale events.