

A STUDY ON THE IMPACT OF VALUE ADDITIONS ON THE CREDIT CARD USAGE

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Abstract

This study examined the impact of credit card value additions on the use of a particular credit card. This study had implications for several constituencies. First, the Credit card issuers may benefit because by understanding what type of value addition(s) motivate each employment category to use a particular credit card, the card issuers can package such value additions when planning card promotions for those segments. Given a better understanding of the card usage reasons of the participants, credit card issuers may be able to better administer their value addition programmes to increase the use of a particular credit card through relevant value additions. The value additions are divided into 3 categories and analyzed employment category-wise.

Merchants may also benefit from this research by partnering with card issuers to offer focused value additions to employment category-wise segments which enable merchants to attract more customers to their outlets to increase sales volume. Cardholders may benefit from this research, by enjoying better and relevant value additions and not indirectly paying for unwanted value additions offered by the card issuer.

The research results revealed several interesting trends. Cardholders who used a particular credit card for retail transactions, the main reason to use that card is the special discounts offered for all employment segments. For fuel purchases, the most preferred cards are HSBC and Seylan Bank cards both offering no extra fee on fuel transactions. The most preferred financial value addition to the government sector has been the waiver of Stamp duty.

This was further evident from the research finding that for government sector employees the most preferred card is Seylan Card which is the only card which do not pass the government stamp duty to the cardholder.



Similarly, the most influential factor to use a particular credit card to purchase air-tickets is to gain eligibility to free overseas travel insurance cover for every employment category. The research findings conclude that there is a significant relationship between all 3 types of Credit Card Value Additions(financial, non-financial and Affinity/co-brand value additions) and use of a particular credit card for retail, fuel and air ticket purchases.

Another finding is that there is a significant relationship between employment category of the cardholder and preference to use a particular credit card. Hence the need to focus on different market segments when planning and implementing card usage promotion programmes. The above findings led to a set of recommendations to the Sri Lankan credit card issuers to improve their card usage by managing value additions in a better way. Also based on these study findings a guide to formulate value additions has been developed and it appears in Appendix 9.