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Consumer Attitude Toward Charge Cards in the Food Distribution Industry

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Presents results of a consumer attitude survey in Dallas, Texas area and found convenience the most important advantage of charge cards and the most important fear—overspending.

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Consumer credit has been an important facet of retail purchases in the United States for many years. Some observers say that our already complex and sophisticated economy is on the verge of a cashless and checkless society which could carry with it many possible innovations in method of payment for retail goods and services. As the possibility of a cashless society becomes more apparent, interest continues to develop in the potential for retail food charge cards. The absence of any widespread method of time payment in the retail food industry becomes more conspicuous as it attains the status of the only major industry not generally permeated by consumer credit.

Since total sales through supermarkets in the United States were about 67.4 billion dollars or about 18.6 percent of total U.S. retail sales in 1970 [3, p. B-6], any move toward widespread credit sales could have significant impact on the industry itself, and on the whole economy. While there has been a history of open-book credit in the retail food industry, this trend diminished greatly in the 1930's as a result of cash and carry and the development of chain supermarkets.

Currently, the most predominant usage of charge cards in the general economy is of three types: 1) the national charge cards issued by commercial banks such as BankAmericard and Master Charge; 2) charge cards issued and financed by retail stores and companies such as dry goods companies, department stores, and gasoline companies; and 3) the travel and entertainment cards such as American Express and Diners Club. None of these systems is necessarily appropriate for widespread adoption in the retail food industry. Some retail grocery firms have experimented, on a local level, with charge card systems. These systems have primarily been the commercial bank cards and retailers have met with varying degrees of success.

Although both consumer and retailer considerations are important, the existence of consumer demand for grocery charge cards logically precedes any analysis of profitability to the retailer. Moreover, the determination of retailer profit must be considered within the framework of the particular charge card system to be employed, and given some level of effective consumer demand for the service.

Recognizing that consumers do not constitute a homogeneous population, it is reasonable to assume that there may exist segments which desire a charge card service. If such consumer segments can be identified then they might be served profitably by the retail food industry. The central focus of the study reported in this paper was an identification of the magnitude of consumer demand for grocery charge cards and classification into servable market segments. Such segments can be delineated by demographic characteristics such as income, education, age, and race. Consumer demand is estimated by attitudinal analysis since actual behavior cannot be readily observed due to current general lack of credit availability in retail food stores.

The Research Procedure

Attitudinal analysis was accomplished by obtaining responses of a stratified sample of food shoppers to a pre-tested questionnaire. Six general areas were contained in the questionnaire: 1) an indirect measure of attitude toward food charge cards, 2) a direct measure of attitude toward food charge cards, 3) a measure of knowledge of credit and charge cards, 4) information as to general charge card use and food purchasing orientation, 5) psychographic characteristics of the respondent, and 6) demographic characteristics of the respondent. Although not all of the results in these six areas are discussed here, the detailed results are available in Fairchild and Sporleder [1].

The Sample

A stratified, random-cluster sample of 414 households in Dallas, Texas, was used. Stratification was by race and income. Households with gross annual income below \$5,000 were excluded since a minimum income level is required of most charge card holders.

Analytical Techniques

Contingency tables were developed for question re-

sponses and various demographic variables as well as for between-question responses. Chi-square statistics computed from two-way contingency tables were utilized to test the null hypothesis that the two factors in the contingency table were not related.

A summated scale, designed to measure consumers' attitudes toward food charge cards, was constructed by combining the responses to nine opinion statements directly concerning the use of retail food charge cards by the respondent. To determine the internal consistency of the scale, the item analysis technique of validation was utilized. The discriminative power of each scale item was greater than 0.50 and therefore retained in the attitude scale [2, p. 276].

Research Results

The summated scale utilized for measurement of direct attitude toward food charge cards resulted in classification of households or consumers into three categories: 1) those households with a favorable attitude, 2) those households with a somewhat favorable attitude and 3) those households with an unfavorable attitude. Each attitude category was examined by demographic variables of the respondent such as age, income and education. These characteristics are easily identified and, therefore, most commonly used. Demographics are employed so that consumers possessing a favorable attitude can be broken into more homogeneous subgroups than the total population.

Age

The percentage distribution of attitude by age shows an inverse relationship between age and attitude toward food charge cards (Table 1). Three times as many consumers under 30 had a favorable attitude compared to consumers over age 44, and over twice as many under 30 were favorable compared to the 30-44 age group. Slightly over half of all consumers under 30 possess at least a somewhat favorable attitude compared to 42 per cent of the 30-44 age group, and 28 percent of the over 44 age group. Significantly more younger consumers are favorable toward food charge cards than older consumers.

Over all households about 11 percent were favorable and another 29 per cent somewhat favorable. Thus, of the total sample, approximately 40 percent of all households were at least somewhat favorable while 60 percent were opposed.

Income and Education

As expected, income and education are proxy variables

Table 1. Percentage Distribution of Attitude Toward Food Charge Cards by Age, Dallas, 1971

Attitude Toward Food Charge Cards	Age of Food Shopper			All Households	
	under 30	30-44	45 and over	N	%
Opposed	48.2	58.5	72.2	249	60.1
Somewhat Favorable	31.8	32.7	21.1	119	28.7
Favorable	20.0	8.8	6.8	46	11.1
N	110	171	133	414	
TOTAL %	26.6	41.3	32.1		100.0

Chi-square = 20.8757
Significant at .001
Source: Survey data.

Table 2. Percentage Distribution of Attitude Toward Food Charge Cards by Income, Dallas, 1971

Attitude Toward Food Charge Cards	Gross Household Income		
	\$5,000-\$9,999	\$10,000-\$14,999	\$15,000 & over
Opposed	49.7	65.4	65.9
Somewhat Favorable	33.6	28.6	23.9
Favorable	16.8	6.0	10.1
N	143	133	138
TOTAL %	34.5	32.1	33.3

Chi-square = 13.6475
Significant at .001
Source: Survey data.

— meaning that they are highly correlated and is the more readily identifiable, only income need be used as a correlate with attitude. Income categories of the household were defined as middle (\$5,000-\$9,999), upper-middle (\$10,000-\$14,999), and high (\$15,000 and over).

One half of the middle income category is at least somewhat favorable compared to about one-third of the upper-middle and high income categories (Table 2). No significant difference in attitudes exist between upper-middle and high income households. More consumers with household incomes of \$5,000 to \$9,999 are favorable toward the concept that those with household incomes of \$10,000 and over.

Perception of Charge Cards

There are two basic ways of viewing charge card usage. Charge cards may be viewed either primarily as a convenient method of payment or primarily as a method of borrowing money to make a purchase. Of those households sampled, nearly 74 per cent perceived

Table 3. Percentage Distribution of Attitudes Toward Food Charge Cards by Perception of Charge Cards, Dallas, 1971

Attitude Toward Food Charge Cards	Perception of Charge Cards		
	Borrowing tool	Uncertain	Convenience
Opposed	69.1	75.0	56.4
Somewhat Favorable	25.9	25.0	29.8
Favorable	4.9	0.0	13.8
N	81	28	305
TOTAL %	19.6	6.8	73.7

Chi-square = 11.1468
Significant at .001
Source: Survey data.

charge cards as a convenience while about 20 percent perceived them as a borrowing tool (Table 3). Of those shoppers perceiving charge cards primarily as a convenience about 44 percent possessed at least a somewhat favorable attitude toward food charge cards. This compared to only about 31 percent for those shoppers that perceived charge cards primarily as a borrowing tool. Thus, not only do more consumers view charge cards as a convenience than as a method of borrowing, but also a larger percentage of the former are favorable to the food charge card idea.

Advantages of Charge Cards

Respondents were asked what advantages they saw for food charge cards. About 59 per cent of all re-

Table 4. Percentage Distribution of Attitude Toward Food Charge Cards by Perceived Advantages of Food Charge Cards, Dallas, 1971

Attitude Toward Food Charge Cards	Advantages				
	Convenience	Run short of money	Keep up with grocery bill	Specials, others, etc.	No advantages
Opposed	37.9	47.2	26.8	20.6	93.6
Somewhat Favorable	41.1	41.7	53.7	50.0	6.4
Favorable	21.1	11.1	19.5	29.4	0.0
N	95	72	41	34	172
TOTAL %	22.9	17.4	9.9	8.2	41.5

Chi-square = 151.9369
 Significant at .001
 Source: Survey data.

spondents saw some advantages (Table 4). "Convenience" and "when you run short of money" were the advantages most often mentioned by respondents while "take advantage of specials," "more flexible shopping patterns," and "other advantages" were less frequently mentioned. Again, the convenience factor is associated with favorable attitudes. About 62 per cent of all respondents mentioning convenience as an advantage had at least a somewhat favorable attitude.

Disadvantages of Food Charge Cards

Over 70 per cent of respondents first mentioned "overspending" as a disadvantage of food charge cards (Table 5). This indicates that fear of overspending as a result of using a charge card is the primary reason for an

Table 5. Percentage Distribution of Attitude Toward Food Charge Cards by Perceived Disadvantages of Food Charge Cards, Dallas, 1971

Attitude Toward Food Charge Cards	Disadvantages		
	Over-spend	Dislike Concept, Costs, etc.	Disadvantages
Opposed	65.1	63.1	15.8
Somewhat Favorable	28.1	22.6	47.4
Favorable	6.8	14.3	36.8
N	292	84	38
TOTAL %	70.5	20.3	9.2

Chi-square = 47.6335
 Significant at .001
 Source: Survey data.

unfavorable attitude. Only half as many consumers concerned with overspending have a favorable attitude as those listing other disadvantages. About 20 percent of the consumers sampled listed disadvantages such a "cost to the consumer," "won't work," "fear of people not paying their bills," "another bill at the end of the month with nothing to show for it," and "dislike the concept." As expected, the attitudes of consumers who perceive no disadvantages are significantly more favorable than those listing disadvantages.

Consumers were also asked whether or not they expected their food expenditure to be 1) more or 2) the same or less with a charge card. About 49 per cent anticipated an increase in expenditures. Less than 3 percent of these same consumers possessed a favorable attitude. Nearly 20 percent of those answering "the same or less" had a favorable attitude.

Opinion Statements

Inference of the existence and identification of a

particular attitude from an opinion statement assumes that the opinion is accurately reflecting the attitude in question. Since the opinion may reflect any of a number of attitudes, beliefs, or values, such an assumption may be unwarranted. The significance of any one opinion statement may be difficult to judge. However, some additional insight into consumer thinking can be attained by examining opinion statements incorporated in the attitude scale. Three of the more interesting of these opinion statements are discussed here.

To gain some insight into the amount of "switching" that might occur if not all stores in a neighborhood offered charge cards, consumers were asked: "If charge cards became available in a food store you do not presently shop at, would you start shopping there at least part of the time?" About 19 per cent of the consumers sampled answered "Yes" while another 9 percent were uncertain.

Consumers were also asked: "If you had your choice between trading stamps and a charge card at your favorite grocery store, which would you prefer?" On this question, 21 percent said they would prefer charge cards over trading stamps with another 6 percent were uncertain.

Consumer reaction to an explicit cost involved in using a charge card was also interesting. Food shoppers were asked: "If you had a choice between using a charge card or paying cash and receiving a percentage price discount in your grocery store, which would you prefer?" Only 5 per cent of all shoppers answered that they would prefer using a charge card over paying cash and receiving a price discount. This indicates that demand for a charge card service is probably highly price elastic when an explicit cost to the consumer is attached to card use.

Conclusions and Implications

The study indicates that perceptible latent demand for food charge cards does exist. Results of the attitude measurement indicate that somewhere between 10 and 15 percent of all households could be expected to be outright advocates of food charge cards. This group is accompanied by about another 30 per cent who are favorably oriented toward the concept but have some reservations. However, if an explicit cost to the consumer for using a charge card is indicated, demand for the service may be as low as 5 per cent.

In segmenting the market by demographic characteristics according to attitude, age of the shopper is the most distinguishing characteristic. The per cent of consumers under age 30 possessing a favorable attitude toward food charge cards is three times as large as the

over 44 age group and over twice as large a percentage as the 30 to 44 age group. Thus, a definite inverse relation exists between favorable attitude and the age of the consumer.

Income was also an important correlate with attitude. More shoppers from households with middle incomes (\$5,000-\$9,999) are favorable to the concept than those from households with incomes over \$10,000. Store clientele likely to be most favorable to charge cards are young, middle income households. It is not the case that food charge cards would be most favored in stores with high income clientele, as might be expected.

The convenience factor associated with food charge cards is the most important advantage. Communication of this convenience factor to customers could represent an important merchandising strategy, particularly for selected stores with younger clientele. The most important

fear to most consumers, however, is overspending.

From the retailer's viewpoint, offering a charge card service might alleviate some check cashing and consequent bad check loss. Also, some evidence exists that consumers may upgrade purchases, both quality and quantity, when using a charge card. However, additional research, on a comprehensive scale, as to the effect of charge card usage on consumer shopping patterns is needed before these questions can be definitely answered.

From the results of this research, if food charge cards were widely adopted today, a fairly conservative estimate is that about 20 percent of food store sales would be made on charge cards. This would represent sales of over 100 million dollars annually in a market such as Dallas, Texas, and over 13 billion dollars annually through supermarkets in the United States.

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³ Survey of Buying Power, *Sales Management Magazine*, New York, 1971.