

**Department of Justice – Consumer Affairs Victoria**

***The Impact of Credit Card Advertising on Consumer  
Decision-Making and Behaviour***

**FINAL REPORT**

**Prepared for:** Ian Clyde  
**Date:** 20 June 2008  
**Market Research  
Consultant:** Natalie Elkins

# Table of Contents

<b>Executive Summary</b>	<b>i</b>
<b>Background &amp; Objectives</b>	<b>1</b>
<b>Research Objectives</b>	<b>1</b>
<b>Research Methodology</b>	<b>2</b>
<b>Research Findings: Consumers’ Attitudes towards Credit Cards and Credit Card Advertising</b>	<b>4</b>
1. Perceived Key Approaches of Credit Card Advertising	4
2. Drivers of Obtaining Credit Cards or Increasing Credit Limits	8
3. Attitudes towards and Use of Credit Cards	13
4. Consumers’ Understanding of Credit Cards	17
5. Understanding of how Credit Cards Work	17
6. Awareness and Understanding of Regulation of the Credit Card Market	19
7. Sources of Information about Credit Cards and Debt	20
<b>Conclusions and Implications</b>	<b>23</b>
<b>Case Studies</b>	<b>26</b>
Case Study 1 – Young Person	26
Case Study 2 – Single Mother	27
Case Study 3 – Frequent Credit Card User, Householder with Children	28
Case Study 4 – Responsible credit card user, Householder with children	29
<b>Appendix A: Summary of Advertisements</b>	
<b>Appendix B: Discussion Guide &amp; Self Completion Survey</b>	

## Executive Summary

*This executive summary provides an overview of the background, methodology and key findings of a comprehensive program of qualitative research commissioned by Consumer Affairs Victoria (CAV) to explore the impact that credit card advertising has on consumer behaviour and decision-making.*

The Credit Review was instigated in May 2005 and reflects CAV's central objectives of empowering consumers, particularly those who are vulnerable and disadvantaged, and promoting a competitive, fair and safe trading environment. The Review intends to ensure responsible lending options are available to consumers and that unsustainable credit card debt is reduced.

Credit advertising, in particular that which relates to credit cards, was identified as a key area for investigation to determine the impact it has on consumer attitudes and behaviour. With this in mind, CAV commissioned independent research to qualitatively explore consumers' understanding and use of credit cards and debt and to determine the extent to which this is influenced by advertising.

Ten (10) focus groups were undertaken in Melbourne and regional Victoria (Traralgon and Horsham) with representatives from a range of consumer target groups, including youth, single parents, single and double income families, high income earners and pensioners. The groups were conducted between 28 February to 31 March 2008 and were each two hours duration.

### Key findings of the research

*Greater financial control and the opportunity to live the life you want are the key themes consumers took from credit card advertising...*

Consumers saw that there are two key themes or approaches used to promote credit cards.

- The first was seen as a more rational approach highlighting product features such as interest rates, interest free terms, balance transfers and reward programs. These ads were seen to convey the message that credit cards enabled savings, provided a means of living well with debt or gaining greater control of your finances.
- The second approach was perceived as more aspirational, showing people living life to the full and taking advantage of all that they wanted to thanks to their credit card.

The ease of obtaining credit cards and promotion of cards based on their appearance were also noted as approaches used by promotion.

Outcomes of the focus groups provide evidence that responsible and informed credit card holders were less likely to be influenced by advertising while the less responsible and at-risk consumers were likely to interpret advertising messages and communications as sanctioning their current attitudes and behaviour.

***Direct approaches and credit cards that come packaged with other financial products are key drivers of uptake and increased credit limits...***

Direct offers or pre-approved applications for credit cards from a bank or other financial institutions where they were already a customer appeared to have the strongest impact on credit card take-up, particularly among low income consumers and young people. These unsolicited offers were also the primary driver of credit card limit increases.

Within the focus groups a considerable number of participants indicated they had received their credit card as part of a package with their mortgage or an interest-free purchase. A common theme here was the extent to which these consumers felt they had no choice but to accept the credit card, even if they were uncomfortable with the high credit limit and interest rate. Many had been unable to manage these credit cards responsibly and had found themselves in precarious financial situations as a result.

Other reasons triggering consumers to take up credit cards included:

- To enable travel and holidays
- To be able to buy things online – tickets and EBay purchases were particularly common
- As a means of financial management – such as to track spending, facilitate direct debits, enable savings or claim business expenses
- To make ends meet, stretch pay periods, or get through difficult financial times
- As a cheaper and more easily available means of obtaining credit rather than a personal loan
- To ensure additional funds are available ‘just in case’ or for emergencies
- Status and card presentation were mentioned, though to a lesser extent and typically by young people who were drawn to having a credit card as a right of passage.

***Many admit they had to learn the hard way that credit cards weren't free money...***

Convenient, easy to use, giving you the opportunity to have what you want now rather than having to wait and making sure money is available for any situation that occurs were the key attitudes that consumers held towards credit cards also reflected how they used them. Of interest there were many commonalities between consumers' attitudes towards credit cards and the messages they took from credit card advertising.

Overwhelmingly credit cards were described as a necessary evil, good to have but offering great temptation and chance that things will get out of control. It was common in the focus groups to hear how consumers had used their credit cards with great freedom and little thought of the consequences of their spending when they first received their cards and then having to learn the hard way that it was difficult to pay off this debt and while also meeting their other financial obligations. Some moderated their use while others got into greater debt.

***Consumers lack any depth of understanding about how credit cards work and how the market is regulated...***

Across the focus groups consumers had a limited understanding of credit cards and how they worked. A minority confidently knew what interest rate they were currently paying on their credit card(s) and few were able to explain how interest is calculated or how interest free periods worked.

While awareness of how the credit card market was regulated and by whom and the obligations that providers had towards their customers was also very low, consumers had some strong expectations of what these should be. Their recommendations focused upon greater responsibility being placed on credit card providers to be responsible lenders of credit and ensuring that consumers were not left with unmanageable levels of debt.

There was a strong sense that a public education campaign was required to teach people how credit works and to provide tangible and real examples of what the financial, emotional and other implications are of irresponsible credit use. Educational programs for youth in schools are seen as an important cornerstone to such a campaign.

***Summing up...***

There is a link between credit card advertising and consumer behaviour and decision-making and it is the more informed and responsible credit cards users that are able to discount irresponsible advertising messages and reject direct offers of credit cards and unsolicited credit limit increases. However, building consumer awareness and understanding of how credit cards work is not seen as the only solution. There is strong sentiment that credit card providers need to take greater responsibility and that regulation of the industry should ensure tighter controls on consumers' access to credit.

## Background & Objectives

In May 2005 the then Minister for Consumer Affairs, Marsha Thompson MP, announced a wide-ranging review of credit. Improving access to affordable credit for vulnerable and disadvantaged consumers and tackling exploitative and predatory lending were identified as primary focuses of the review.

Regulation of credit advertising, and its support of corporate social responsibility, and the actual practices of advertisers were also seen as a key concern with the Review emphasizing that it was important that advertising did not undermine initiatives to foster responsible use of credit or increased consumer financial literacy. It was therefore recommended that further research on credit advertising, specifically that relating to the promotion of credit cards, was undertaken.

In January 2007 Consumer Affairs Victoria (CAV) completed a literature review assessing the impact of advertising upon consumers. The outcomes of this review highlighted the lack of research specifically relating to credit advertising and consumer behaviour.

With this in mind, CAV commissioned independent research to explore qualitatively consumers' understanding of credit cards and debt and to assess the impact credit card advertising has on consumer decision-making and behaviour. More specifically the research was intended to:

- Analyse the effectiveness of existing credit advertising regulation (including self-regulation);
- Gauge the influence of credit card advertising on consumer behaviour and decision-making;
- Test the assertion of many credit providers that they lend responsibly against the actual messages they broadcast through their advertising; and
- Develop short individual case studies that represent the profile of common types of consumers, their use of credit cards and the influence of credit advertising on their decision-making.

### Research Objectives

Specifically, the research sought to establish among a range of consumers:

- Their views of debt, specifically
  - Do consumers view credit cards as debt?
  - Do consumers regularly review or consider their debt levels?
- The main influences/triggers to obtaining credit or increasing credit card limits.
- Views and understanding of credit cards
  - How they work
  - What interest rates apply
  - How interest is calculated (particularly in relation to 'interest free' periods).

- Perceptions of credit card providers, specifically in terms of their obligations towards consumers
  - Awareness and understanding of regulation in the credit market
- Awareness and impact of credit card advertising or marketing techniques
  - The triggers and barriers to particular advertising techniques used for credit cards and their impact on consumer take-up, including increasing credit card limits.
- Awareness of financial literacy programs and financial counselling services available for those in need.
- Communication needs in relation to credit and debt issues
  - The type of information needed
  - How the material should be presented (for example, booklet, pamphlet, fact sheets)
  - Preferred communication channels

It is intended that the findings of the qualitative research will be used in the development of a questionnaire or further exploratory research with industry stakeholders.

## **Research Methodology**

A qualitative approach utilising focus groups with consumers from key target groups was implemented to achieve the information outputs of this important research project.

A total of 10 focus were undertaken across both Metropolitan and regional Victoria in two phases. The sample structure utilised for this project is presented in the table overleaf.

Target Audience		Melbourne	Traralgon	Horsham
Phase 1	Youth (18 – 21 years)	-	1	-
	Single parents (HCCH)	-	1	-
	Aged & disability pensioners (HCCH)	1	-	-
	Consumer with children (30 – 50 years)	1	-	-
Phase 2	Single Parents (HCCH)	1		
	Young/ middle family – dual income	1		
	Youth (18-21 years)	1		
	High incomer earners (40 years and under, \$80K - \$150K individual income)	1		
	Consumers with no children (25 – 40 years)			1
	Young/ middle family – single income			1
<b>TOTAL FOCUS GROUPS</b>		<b>6</b>	<b>2</b>	<b>2</b>

Eight participants were recruited by Cooper Symons, specialist market research recruitment consultants, for each of the groups. Focus groups were undertaken between 28 February to 31 March 2008 and were of two hours duration. Participants were provided with a gratuity of between \$70 and \$90 in appreciation of their time and to cover expenses incurred from attending.

Within each of the groups participants were presented with three ads for credit cards from recent TV, radio, press and online campaigns. Prior to open group discussion participants were asked to complete a short self-completion exercise designed to establish what they perceived as the key messages the ads were trying to convey. A summary of the advertisements presented and discussed within the groups is presented in Appendix A.

Participants were also asked to keep a record of credit card advertising they had noticed in the past week for presentation and discussion within the group.

Copies of the discussion guide and self-completion exercise are provided in Appendix B.



# Research Findings: Consumers' Attitudes towards Credit Cards and Credit Card Advertising

*This section of the report provides a comprehensive account of the research findings regarding consumers' reactions to credit card advertising, what drives up-take of credit cards and increased credit limits, and their attitudes and understanding of issues related to credit cards and debt. The linkages between these topics provide a strong basis for drawing the conclusions and implications regarding the impact that credit card advertising has on consumer decision-making and behaviour that is presented in the final section of this report.*

## 1. Perceived Key Approaches of Credit Card Advertising

Consumers saw credit card advertising as typically focusing on two key themes. One, a seemingly rational approach highlighting product features, in particular purported low interest rates, and the second a more emotional approach centring upon a theme of 'Live the life you want...'.

### Focus on Product Features

Credit card ads grouped by consumers into this category were primarily those that highlighted one or two specific product features, namely:

- Low interest rates
- Zero or low interest rate balance transfers
- Interest free periods
- Reward points
- Low or no fees – annual fees, withdrawal fees, overseas transaction fees etc

Consumers appeared reasonably comfortable with the focus of these ads and generally saw them as informative and promoting the key competitive features. It is interesting to note that while consumers accepted this focus on low interest rates, balance transfer options and interest free periods, many were actually unable to compare them with the terms of their existing credit cards and many lacked an ability to know how these products compared with others on the market.

*"The interest rate is the first thing you look for."*

The key messages consumers took from these ads was that these credit cards offered product features that actually facilitated savings, greater financial control or could provide release from the responsibilities or worries of credit card debt.

More specifically, when asked what stood out from these ads or what they were trying to say, participants in the focus groups surmised the following:

- Save money or reduce what you owe
  - “You see that you are saving on interest so you can spend more.”*
  - “Switch to this credit card and you will save money on interest.”*
  - “You can save money with a low rate.”*
  - “It makes spending on your credit card more affordable.”*
  
- Get control of your finances
  - “They are giving you an opportunity to tame your card.”*
  - “There is an easy way to get control back of your credit card.”*
  - “It is an opportunity to get control and get ahead.”*
  
- Let us help you, we will make it easy
  - “It is easy to transfer and they will do it all for you and given you a low interest rate for the first 12 months.”*
  - “They will do everything for you so you don’t have to bother or worry about anything.”*
  - “If you have spent too much over Christmas don’t worry this will help.”*
  
- There is a solution to credit card debt
  - “There is a solution for out of control balances on your credit card. Swap over from your existing credit card to control it.”*
  - “No interest for six months will help you get back on track.”*
  - “Zero problems with taking out this card and it will solve all your problems.”*
  
- Credit card debt isn’t a problem, don’t be worried or stressed
  - “Don’t stress we can fix it so you can spend again.”*
  
- Interest free periods give you plenty of time to pay it off

*"I can shop all I want and there is plenty of time to pay it off."*

- For reward schemes: Spend and get something for free

*"Spend money and receive free gifts."*

*"You can maximise your points and redeem them for travel."*

*"Why not get something extra for spending."*

### ***'Live the life you want...'***

The second group of credit card ads were seen to have a more aspirational or emotional approach that promoted the ease of using credit cards and the joys of spending.

The key message consumers took from these ads was that having a credit card enabled you to do what you wanted when you wanted – even if you don't have the money to pay for it. Included within this grouping of ads were those that promoted convenience and wide acceptability.

More specifically, focus group participants surmised that these ads conveyed the following:

- Don't miss out just because you don't have the money

*"See what you can do with a credit card, things that you never thought you could."*

*"Live a more affluent lifestyle with a credit card."*

*"Enjoy life, don't hold back simply because of a lack of cash on hand."*

- You can enjoy yourself more with a credit card

*"It is good for everyday life and can help you live the life you want."*

*"There are always happy people having a good time – you can be one of them."*

*"It is about the experience, a happy lifestyle living the dream because you can afford everything"*

*"Young people out enjoying themselves – they can do it so why not do it yourself?"*

*"You can do anything; you can go one step further if you have this card. You can get a bit more of life out of this card."*

- Don't wait for the things that you want

*"You can have the things you want now and deal with it later."*

- Make life easy

*"You can live your life on credit and it is easy."*

- Widely accepted and great for travel

*"You can use it where ever you are in the world."*

*"It would be good for travel, for anyone who is going on a holiday."*

### **Other perceived key themes in credit card advertising**

Within the focus groups participants noted that credit card advertising also featured, though to a lesser extent, two other themes:

#### Getting a credit card is easy

Internet banner and pop-up advertising is seen to have a particularly strong focus on ease of acquiring a credit card. Fast and unproblematic approval and low interest rates were also strong message take outs from these ads.

*"Approval in 60 seconds!"*

*"It is easy, just do it now and you will have a credit card soon."*

#### Promotion of points of difference

Other credit campaigns recalled by consumers were seen to focus on how the credit card differed from their competitors in relation to elements such as:

- Appearance: The Virgin campaigns presenting their credit cards in a range of colours and a different shape card enjoyed high recall in the groups. A small number of participants cited AMEX's campaigns featuring gold and platinum cards.
- Rewards for payment: This recent campaign from the ANZ had some recall in the groups and strong appeal to those to whom reward points were a driver of use and claimed to be diligent about paying off their monthly balance in full.

Consumers also commented that they perceived there was a general move away from advertising that promoted savings to campaigns that encouraged people to take out credit cards and mortgages.

## 2. Drivers of Obtaining Credit Cards or Increasing Credit Limits

Consumers in the focus groups cited a number of key drivers for either taking up a credit card or increasing their credit card limit.

### ▪ Direct approaches from financial institutions

Direct approaches from banks and other financial via direct mail or personal contact appeared to have a particularly strong impact on consumers' decision to take up a credit card or to increase their credit card limit.

Evidence from the groups also suggests that this impact was particularly strong when it came from a bank or financial institution that the consumer already had a relationship with.

Low income and other vulnerable consumers appeared to be more likely to be influenced by this type of promotion and more inclined to interpret pre-approval and offers of increased limits as considered evaluations from their providers that they were credit-worthy, able to afford the debt or being rewarded for their loyalty or custom.

*"I had thought that it would be pointless me even applying because I wouldn't get it. And then I received a letter in the mail and I thought oh well, I was wrong."*

*"The bank I was with sent me a statement and a letter that said I should apply for it [a credit card] and I was a valued customer. And as it was coming up to Christmas I thought why not. I felt good; I thought that not everyone would get one of these."*

Focus group participants who were more responsible and controlled users of credit cards tended to discount these promotions and letters of offer as junk mail and typically disposed of them without consideration.

*"The ones from your bank try to trick you because they look like bills. All other letters I get from credit card companies don't make it through the front door, I put them straight into the recycling bin."*

Consumers felt that they received more direct approaches from credit card providers in the period prior to and after Christmas and that limit increases were targeted to those who were unable to pay their monthly balance in full or who had recently made large purchases.

*"It is always when you pay off a big amount that those letters come. It is like they are trying to encourage you to spend more."*

Of some concern was the numerous examples given of young people receiving letters containing pre-approved credit card applications or personal contact from their bank informing them that their credit card was ready for collection (regardless of whether or

not it had been applied for) shortly after their 18<sup>th</sup> birthday. Indeed, one participant indicated that she had received a phone call from her bank congratulating her on winning a competition that had the prize of a credit card with a \$1,000 limit.

Direct approaches from credit card providers offering limit increases also appeared to have more impact among the more vulnerable consumers and less responsible users. Consumers who relied on their credit card to make ends meet or to stretch their finances between pay periods were more likely to accept these offers to ensure they had more funds available in case of emergencies or to support their lifestyle.

*"I recently accepted an increase limit to make sure I had enough money just in case an emergency came up. I really don't want to be left short and it might be difficult to get an increase later on."*

*"I think every time I have been offered a raise I have taken it, now I have about a \$20,000 limit. It is there just in case I need to buy something like a new car. It is there in the back of your mind that the money is there if you need it. It is a safety think."*

*"I always say why not."*

It was also noted the ease with which these credit limits could be accepted, either by signing a form, telephoning the bank or via internet banking, which appeared to make the transaction seem less important or reduce the risk associated with the higher level of potential debt.

*"I was just so easy, I just logged on and got another \$2,000 on top of my limit."*

*"Years ago it took me an interview with the bank manager and three weeks to get approval to increase my limit. Now I get an offer at least a couple of times a year without asking for it."*

Again, the more responsible credit card holders were more likely to disregard offers to increase their limits and were conscious that their levels of debt should be inline with their ability to repay.

*"I have to keep things to a limit. It is not that I have fear of what I might do it is just that I know what I can afford."*

*"I am pretty good with my credit card but if I had a bigger limit I know I would buy things I really couldn't afford and didn't really need to have."*

- **Packaged with other financial products**

Within the focus groups there were a significant number of consumers who indicated they had received a credit card in conjunction with another financial product, more specifically mortgages, interest-free purchase deals and balance transfer cards.

It was notable that most of these consumers spoke of feeling that they had no choice but to accept the credit card as it was part of the 'deal'.

In relation to mortgages, credit cards were typically promoted as cost saving devices when used in conjunction with lines of credit and offset accounts.

*"I have one card and I use it for everything. I have an offset account and I have been told that it helps. To be perfectly honest I don't understand the mechanism but I have been told by people of authority that it does work."*

There was strong evidence in the groups that credit cards given in association with interest free purchase offers were particularly problematic due to high credit limits and the high interest rates. These two elements meant that consumers were often compromised in their ability to meet the terms of their original commitment.

*"Twelve months ago I needed to purchase a new washing machine quickly so I went to Harvey Norman to get four years interest free. I had to sign up for a MasterCard to get the interest free period and it had a 17.52% interest rate and a credit limit of \$15,000, which I immediately used on all sorts of things. I would never have gone out to get a new credit card but I had no choice."*

Participants who had acquired a balance transfer credit card also spoke of being provided with additional credit to make new purchases. Again, these consumers perceived they had little choice but to accept the offer even if they were uncomfortable doing so.

*"I was able to transfer a \$4,000 balance to a new credit card but the bank was insisting that I also took an additional \$8,000. I didn't want anything like that amount, actually I didn't want any more than the balance that I was transferring. In the end they dropped it to \$4,000 but that took a lot of negotiating."*

Other common drivers of uptake of credit cards included:

- To enable **travel** either overseas or within Australia, including making and paying for tickets, accommodation, or other bookings, providing spending money or to cover other experiences such as entertainment or restaurants. It was noted that a credit card had become a necessity for travel given the vast majority of hotels required a credit card imprint before they would allow patrons to check-in and the proportion of bookings made online. Some acknowledged that without their credit card they would not have been able to take a holiday as they were unable to finance their travels from savings alone.

*"I got a credit card before going to Thailand for a month so I had some extra money that I didn't have to worry about until I got home."*

*"I have just booked all my accommodation for a two week holiday online with my credit card. It is the only way I could do it and without my credit card I wouldn't be going at all."*

- To facilitate **online purchases** such as via EBay, travel bookings, tickets for events, or to support hobbies or other personal interests.

*"I just couldn't wait to buy stuff online and not have to rely on my mother to let me use her card. I just love EBay."*

- As a means of **financial management**, including:
  - Tracking spending
  - Facilitating direct debits, it was indicated that some companies provide discounts for those who authorise automatic payments from their credit card.
  - Enabling savings either via maximising mortgage payments in conjunction with the use of offset accounts, lines of credit or redraw facilities or by delaying payments and maximising interest from savings.
  - Balance transfer credit cards are also seen as a way consumers could take control and better manage their existing credit card debt.
  - Claiming business expenses – notably some indicated that it was their employers requirement they had a separate credit card to keep track of business and business-related travel expenses.

- As a means of **making ends meet**, stretching pay periods, or getting through difficult financial times.

*"I thought I was just using it until I got some more money, I thought I was in control and I would get back on top of things soon. Instead I ended up on a pension."*

- A cheaper and more readily available means to obtain credit compared with a **personal loan**. Within the focus groups there were a number of respondents who claimed to have considered applying for a personal loan to buy a large ticket item (such as a car, motorbike or horse) and who had determined it was easier, quicker and more cost effective to finance their purchase via credit card.

*"I did look at a personal loan but the application fee was going to be more than the interest I was going to pay."*



*“In the end I just went online and applied for a credit card. The card arrived in the mail a couple of days later yet it was going to take two weeks for my loan to be approved.”*

- To ensure additional funds are available **‘just in case’ or for emergencies**. It is notable that many consumers spoke of initially obtaining and using their credit card for this purpose though few had continued to limit their use to these occasions.

Consumers also had a varied and often very elastic view of the circumstances that constituted an emergency that warranted use of a credit card. For some it was the replacement of a household white good or car repairs, many low income earners cited buying petrol, some nominated times when multiple bills need to be paid in the same pay period, and others spoke of purchases of clothing or tickets to live performances.

Generally speaking consumers defined using a credit card in an emergency as using it at times when sufficient funds were not available or when other forms of payment were not accepted.

- To a lesser extent, consumers acknowledged they had wanted a credit card as it conferred some **status**, income level and ability to repay. This view tended to be more concentrated among younger consumers who saw having a credit card at 18 a right of passage along with being able to drink legally, obtain a driver’s license and vote.

*“I wanted a credit card the day I turned 18. I couldn’t wait, though I wish I had. I thought it was cool, I could ring up and order things on the phone like tickets and buy stuff online.”*

- The **presentation of credit cards** was a less significant driver of the decision to obtain a credit card, however, there was evidence in the focus groups that this element did influence some consumer’s choice of provider. Again, this element appeared to have a stronger impact among the younger consumers.

*“The ones that stood out to me were the ones that you could put your own photo on or the different colours from Virgin. I have also seen some cool ones that are mini credit cards that have a key ring. Now they are really cool.... Oh, I’ve got one of those....Have you, wow can I see it... the guy at the bank told me about them when I went in to get my own card and I said yep, I’ll have one of those in pink.”*

There appears to be a fair degree of inertia (sometimes loyalty) among consumers to their existing credit card providers. Most appeared happy to remain with their current credit card provider, even though over time they had become less aware of the terms and conditions they were subject to and less able to compare their card to others on the market.

*“You pay your annual fee and it gives you the sh\*ts, it turns up on your statement and they don’t tell you it is coming and you think bugger I was going to shop around and change it but now I can’t.”*

Of interest, while it was noted that it was relatively easy to access a new credit card or to obtain an increased limit, some participants had experienced great difficulty trying to achieve the reverse – either cancelling their card or reducing the limit.

*“To accept an increase limit I had to log on to the internet, it was really easy. But it was a different story when I tried to cancel my card, I had to speak to three different people, go to the branch and put my request in writing. Even then they had the cheek to bill me for the next year’s annual fee on my last statement.”*

### 3. Attitudes towards and Use of Credit Cards

Top-of-mind credit cards were very commonly described as a **necessary evil**. This description was seen by consumers as encompassing what they perceived as both the positive and negative elements that credit cards offer:

- **Necessary** referring to the belief that credit cards are part of modern life, they are easy, convenient and there are occasions (such as when hiring cars, purchasing online or buying tickets to live shows or events) that they are the only options for payment.

*“I really don’t think I could live without one. So many things nowadays you need a credit card for and they are just easy and convenient.”*

- **Evil** is seen to refer to the temptation they present and that some can find it easy to misuse their cards or have the propensity to find themselves in serious debt.

*“It is ok if you keep an eye on what you are doing but it is easy not to.”*

Other attitudes expressed by consumers towards credit cards included:

- The **ease by which credit cards and increased credit limits** can be obtained was a strong view across the groups.

This view was reinforced by their own personal experiences of receiving unsolicited pre-approved offers in the mail, advertising promoting quick response times and easy approval processes, and media stories on animals and minors being sent credit cards.

*“On A Current Affair they had a story about a dog who got sent a credit card.”*

In addition, the current process which focused on mail and online applications allowed consumers to feel removed or transparent in the approval process which was seen to reduce the perceived risk associated with obtaining debt. It was noted that in the past

the application for a credit card was a more onerous process that involved personal interviews at the bank, proof of income and credit rating checks.

As previously presented, increased limits are also seen as easy to accept and not requiring card holders to apply or provide supporting evidence of their ability to repay.

- Credit cards provide **extra cash or 'free money'**

Many admitted feeling they had free money when they first received and used their card, though the dominant view was that this feeling ended when they received their first statement and they realised they had to find the money to pay it.

Consumers who were generally less responsible when it came to managing their credit card were more likely to see the funds available via their credit card as extra money in their pocket if and when they needed to use it.

*"I consider it my cash, cash available to us if I need it. I try to be good and keep it in check just in case there is an avalanche, but yes, I think it is mine."*

*"You just sign for it and it doesn't seem real until you get the statement."*

*"For me personally it is stupid because I have enough money to pay for things but I still use my credit card. For me it is like having extra money."*

*"But it is extra money because that money stays in your savings and I like having some cash available...I would be broke if I paid all my credit card debt off. I guess I am behind but that is the way that it is."*

- Use of credit cards infers **status or an ability to repay**

As previously noted, some consumers felt that use of a credit card inferred that they had a good income or had been deemed credit worthy by a bank. For a few status was also associated with the colour of a credit card with gold and platinum cards being seen as particularly desirable and only given to high worth individuals.

- Credit cards make it **unnecessary or difficult to budget**

This attitude was evident on two levels, firstly that having a credit card meant that consumers did not have to live within a budget as they could afford to buy what they wanted when they wanted it. On the other hand credit cards made it difficult to keep a track of whether or not a budget was being adhered to as it was only at the end of a statement period that it was clear what had been spent.

- Credit cards **enable purchases to be made and bills paid between pay periods** - for some consumers this means making ends meet on a month-to-month basis.

*"I use mine for avalanches, when bills come in at the same time and you fall short because you just don't have the money to pay for them all at once. It might take a month or two to work it off but at least they are paid on time."*

*"I get paid fortnightly so I can use my credit card to advance myself some money before I get paid."*

*"I have a monthly pay cycle so I pay my credit card off as much as I can at the beginning of the month but by the end of the month it is back up there. It is really just a vicious cycle."*

- Credit cards allow you to have the **occasional splurge or reward yourself**

*"Part of being on the pension means that sometimes you just want to break out because you are tired of budgeting. You get depressed and you reward yourself and you feel better until the bill arrives."*

- Credit cards mean that you can **have what you want or need now**, with the sub-text that you can worry about paying for it later

*"I don't see them [credit cards] as a negative. They allow you to have the things you want now and deal with how to pay for them later."*

*"I use it to buy my kids clothes for next year in the sales. It means that I can take advantage of lower prices and be prepared for the next season without having to worry and it costing me too much."*

- Having a credit card can remove **the need to consider purchases** before they are made and provide **greater allowance for impulse buys**.

*"It makes it easy to make that judgement that I want it now. You don't have to think twice, you see something in a shop and you can buy it. You wouldn't think you needed it if you didn't have a credit card, so you probably wouldn't buy it."*

- Children were seen to drive greater use from both higher expenses and their '**nag factor**'.

*“You don’t want to tell your kids they have to miss out, so you say ‘Oh crap’ and you put it on your credit card and think don’t worry we’ll catch up next month.”*

*“In my 20s my credit card gave me good memories and without my credit card I wouldn’t have been able to make the choices that I did. I look back to then and think I spent a lot of cash but because of my Visa I could have fun and take trips away. I can’t do that now because I have responsibilities.”*

Consumers in the focus groups who had a more responsible and informed view about credit cards were more likely to indicate:

- They **paid their credit card balances in full** at the end of each billing period

*“I try to pay it off by the due date and if the time comes that I can’t do this then I will have to have a really hard look at things.”*

- That their use is driven primarily by **ease and convenience**

*“I use a credit card because it is better than carrying cash.”*

- That they had **clear definitions** about what their credit card was used for and on the whole kept to this.

*“I have one credit card that I have had for 10 years and I really just use it for supermarket shopping. I prefer to just use it for this because I know it is buying a good thing – food – and I also don’t get confused about how much my bill will be as it is roughly the same each month.”*

*“It is only there just in case of emergencies and I think I am really good at sticking to that.”*

## 4. Consumers' Understanding of Credit Cards

Consumers expressed three overarching views in relation to their understanding of credit cards:

- Credit cards are **complex and it is difficult to understand** how they work. However, for many their lack of understanding was not of great concern

*"Lots of companies contact you to change and give you a better deal. But how do you really know if it is a better deal? You need someone who knows to figure it out for you because it is so complicated."*

- The **presentation of terms and conditions** provides many with an excuse for their lack of understanding.

Fine print as well as terms and conditions in both advertising and product disclosure booklets were often ignored or discounted as they were seen to be presented in such a way that it made them difficult to read or understand (small print, legalese, complicated or spoken fast).

*"I am sure it is all described in words I can barely understand in the 3,000 page booklet they sent to me with my card."*

*"Small print is about how they are going to get the money from you. It is usually the information they don't want to tell you but are legally obliged to."*

- Most admitted to having learnt the **hard way about how to manage their credit card**, initially treating the funds available as free money, not realising how difficult it would be to pay off and not knowing the impact that interest would have.

*"I applied for a credit card the day I turned 18 and went sick. I maxed it out in four days... I still remember getting the card in the mail. I went to the Chemist and bought a toy for this one and something for someone else. I gave them the card and they swiped it and said sign here. I felt really good, this is free money, this is awesome I don't have to pay for this and then a month later I got the statement. You don't know the sh\*t you have got yourself into until you get the statement."*

## 5. Understanding of how Credit Cards Work

While there was a range of knowledge and depth of understanding about credit cards among consumers across the focus groups, most participants had a limited grasp and were unable to explain the key principles of:

- **How interest is calculated**

Very few participants were able to correctly articulate that compound interest is used to calculate how much interest was owed and few were confident they knew their current interest rate. For most interest was seen more simply as something to avoid if at all possible by paying the full amount owed by the due date and few could confidently say the rate of interest that currently applied to their card(s).

*“I don’t know how much I am paying. I jump onto ninemsn and see the great rates for credit cards. I could tell you those cheap rates but not what I am paying myself.”*

- **Interest free periods**

There was a general feeling among participants that they were entitled to 55-days interest free period for purchases. Rather than understanding implicitly how this aspect worked, again most concentrated on the due date presented on their statements as the end of the interest-free period. Few understood that an existing balance meant that they were ineligible for any interest free period and some believed that the interest free period was from the time of purchase, regardless of when the transaction was made.

In contrast to this, there was a general level of awareness that interest was calculated from the time the cash withdrawal was made and that no interest free period applied to these transactions.

- **Balance transfer products**

There was a very distinctive lack of understanding of balance transfer products and their relevant terms and conditions, even among consumers who were actively considering or who had actually taken advantage of these offers. Indeed there was a general lack of awareness that high interest rates applied to new purchases and very low awareness that interest was calculated on amount transferred at the cash withdrawal rate from time of transfer.

This lack of awareness in the community about the fundamentals of how credit cards work was highlighted by a story relayed by a focus group participant who is a teacher.

*“I spoke to my kids the other day about how mum and dad pay their bills and they said they just use their credit cards. Only one out of the twenty eight 15 and 16 year old boys understood that they got charged interest if they didn’t pay their credit card bill on time.”*

While most consumers acknowledged they had a relatively limited understanding of how credit cards worked, they were largely quite confident in their ability to **understand credit card statements** and how much debt they owed on their cards. The two exceptions were:

- Problems experienced when relying on online statements to keep track of balances due to delays in transactions being presented. That is balances can often be inaccurate or not up-to-date.
- The use of vendor names that are different to retail or trading names can lead to confusion and a belief that there has been unauthorised use.

## 6. Awareness and Understanding of Regulation of the Credit Card Market

On the whole there was a distinct lack of awareness or understanding regarding how the credit card market is regulated and by whom. Indeed this question very commonly drew silence with only a few willing to nominate an ombudsman and two citing the ACCC as having some influence over credit card providers.

This lack of awareness of the body responsible for regulating the credit card market lead some to believe that the market was self-regulated and that it was therefore the responsibility of consumers to be informed and use their credit card responsibly and in line with the agreement they had signed outlining the terms and conditions that applied.

*“At the end of the day we have to take responsibility for our spending, they just make it easy. It is not like they have a gun to you head.”*

Focus group participants also had little if no understanding of what **credit card providers were obliged to do** or provide for their account holders. It was only after significant probing that some were prepared to surmise that providers were obliged to be transparent and honest and fully disclosure of terms and conditions.

In contrast to this, participants had a much stronger idea of **what the obligations of credit card providers should be** and cited that providers should be compelled to:

- Decline transactions if the card holders limit had been reached, or at least provide customers with the option for this to happen

*“If you have a \$1,000 limit they won’t stop you from spending but they will make you pay for going over your limit.”*



- Ensure credit limits are means tested and reflect a customer's income and ability to repay. Inherent to this would be that comprehensive credit checks and checks on existing credit products or debt would be undertaken prior to acceptance of applications or offers of credit limit increases.

*"Should be about means to pay from the start and strict controls. Don't offer an 18 year old without a job a credit card that they can't pay back."*

These expectations have implications for how consumers believe the market should be regulated and what credit card providers should be obliged to provide their customers. They infer that it is perceived that not all responsibility should lie with the consumer and their own judgment of their ability to repay, and infer a desire for tighter controls on access to credit.

Should consumers have a **complaint or encounter a problem** with their credit card provider, most indicated that they would first and foremost contact the provider to resolve the situation. Some indicated that if the issue could not be resolved to their satisfaction via this means they would then turn to the industry ombudsman for assistance.

On the whole consumers appeared to have a relatively neutral view of credit card providers – that is most had neither a particularly positive or negative view about them. The general feeling was that credit card providers were simply a business and like any other they need to make money to survive. However, as indicated above, there was some expectation that there needed to be tighter regulations to ensure they were acting as responsible lenders and were not encouraging consumers to get into more and more debt that they could not afford.

With that said, there were some in the groups who saw credit card providers as predatory as they take advantage of vulnerable people and make huge profits from interest, fees and charges.

## 7. Sources of Information about Credit Cards and Debt

Most consumers believed they had learnt from their own personal experience ('the hard way') or the experiences of others about how manage credit cards. It appears that negative experiences have particularly strong impact. No one in the focus groups had received any formal instruction on how to use credit cards responsibly or how they worked.

When asked where they would look for information and advice about credit cards or managing credit card debt respondents nominated:

- **Banks** – regarded as being able to provide informed advice on a range of financial issues

*“Bank staff should help. They should tell me what it is I should pay so I don’t have to worry about my credit card debt for a while so I could take a break and pay off some other things I owe.”*

- The **internet** - the catch cry *“I’d just Google it”* was common.
- **Financial advisors or counsellors** – within the single parents and pensioner groups there was a surprisingly high awareness of financial counsellors. Centrelink, community services/ houses and welfare organisations (such as the Brotherhood of St Laurence, Smith Family and Salvation Army) were the most likely to be nominated as providing this service free of charge to those in trouble.
- **Family, friends and colleagues** – parents and parents’ behaviour in relation to credit cards appears to have an influence over their children’s attitudes and use. Many also considered it was a parental responsibility to teach their children about how to use a credit card responsibly.

Overwhelmingly consumers believed that there needed to be more education about credit cards and how they work, primarily at a school-level targeting adolescents.

*“Why didn’t we learn this at school? Shouldn’t our kids be learning this at school.”*

*“Kids end up being taught about drugs and sex ed but a lot of problems teenagers experience can come back to financial things. When they can’t keep up they get depressed and start spending money on the weekends to try to make themselves happy. As an educator I see it as a whole person thing. You can’t just give kids credit cards and not worry about it.”*

It was perceived that a public organisation, like Consumer Affairs Victoria, had a responsibility to undertake **a general education campaign that should:**

- Provide tangible and easy to understand examples of the cost of using a credit card. Such an illustration would provide an equation of: *Cost of items + cost of interest = true cost of purchase*
- Demonstrate the implications of paying only the minimum monthly repayments on a credit card debt, that is the amount of time in years and the overall costs of repaying a \$5,000 debt over, say, 20 years.

*“They should show that if you only pay off the minimum \$25 a month then you will never pay off what you owe. They should extrapolate the costs and show the true impact of interest.”*

- Develop simple summaries of typical terms and conditions – one page leaflets presented in an easy to read and non-threatening format that actually encourages consumers to read them. Again, it is expected that such summaries would include simple examples and calculations.

- Undertake a community advertising campaign in the mass media that presents responsible messages or negative stories about credit cards, particularly to provide a counterbalance to the advertising used by credit card providers. The examples of the TAC, Quit and Gambling campaigns were cited as effective campaigns of this genre.
- Provide a Credit Card Helpline – a service to provide advice and referrals to people in crisis with their credit card debt, again similar to that provided to gamblers and smokers.

*“People out there know Quit Helpline and the Gamblers Helpline, what about something for people having problems with their credit cards?”*

## Conclusions and Implications

*This section of the report draws from the outcomes of the qualitative research to present conclusions and implications regarding the impact that credit card advertising has on consumer behaviour and decision making and consumer expectations for regulation of the credit industry.*

### What impact does credit card advertising have on consumer behaviour and decision-making?

There were definitely commonalities between the messages that consumers took from credit card advertising and their own attitudes and behaviour. In effect, the key messages contained in credit card advertising appeared to create general beliefs among consumers that:

- *Credit card use is acceptable*
- *Credit cards provide a means of having the life you want but cannot afford*
- *Credit cards can provide the opportunity to make savings and can enable you to take control of your financial situation*
- *It is easy to get a credit card*

However, it should be noted that the impact that credit card advertising had varied considerably across consumers based on their understanding of how credit cards worked and their current attitudes towards and use of credit cards.

- The **more responsible and informed consumers** were likely to examine advertising in more detail on the terms and conditions believing that *'nothing was too good to be true'* or that *'there is always a hidden catch because banks need to make money'*. They also tended to want to compare and evaluate offers and would be able to identify responsible and credible advertising. This segment of consumers was unlikely to be open to unsolicited offers of credit cards and credit limit increases.
- **Less responsible consumers** and those who exhibited some **at-risk attitudes or behaviour** appeared to be more likely to perceive that advertising supported their current views and usage. That is to say that they tended more so to see credit as an easy and good solution that provided convenience, greater opportunities and more financial control. It was these consumers who were open to receiving offers of new credit cards or increased credit limits, some of whom had or were currently actively seeking balance transfer products.

Evidence from the focus groups also indicates that consumers are very comfortable with advertising that focuses on (purported) low interest rates or other product features such as interest free terms or discounted introductory rates. The irony of this is that most have a relatively limited understanding of these features and how they work and often cannot compare them with the conditions of their existing credit cards. How can consumers know what a low interest rate really is if they can't compare it with what they are paying at the moment?

Current regulation of credit card advertising has questionable effectiveness given:

- Direct approaches from banks and other financial institutions appear to be the strongest drivers of uptake of credit cards and increased credit limits. Low income and vulnerable consumers are particularly likely to be influenced by this channel of promotion when it comes from their bank as they view the offer as an evaluation that considers them to be credit-worthy or loyal customers who should be rewarded.
- Consumers feel they have no choice but to accept credit cards that come packaged with other financial products, such as mortgages and interest free purchase agreements.
- Key terms and conditions are presented in such a way that they are discounted, ignored or do not allow for accurate comparisons to be easily made. Small print, the use of language that is seen to be difficult to understand and large amounts of text all cited by consumers as barriers to them taking time to consider how the product works and what they are liable for.
- Current advertising does not appear to build knowledge of the product or an understanding of the risk associated with credit.

### Other Conclusions and Implications

- There was a strong expectation among consumers that there is a need for **education about credit cards and how they work**. The key elements of such a campaign would be:
  - Focused in schools among adolescents who were learning about other life skills (such as alcohol, drug and sexual education).
  - The provision of examples of the cost of using credit via simple equations outlining the cost of items + cost of interest = true cost of purchase.
  - The simple presentation of the time and financial implications of paying only the minimum repayments – how long would it take to pay off a debt and what would the end cost be?
  - The provision of simple summaries of typical terms and conditions and what these mean. Such summaries would be presented in such a way that consumers are not discouraged to read them.
  - Advertising and promotion that presents the negatives of credit card use – similar to TAC and Anti Cancer Council ads.
- Research indicates that consumers desire credit **card providers to be obliged** to operate as responsible lenders which would require they:
  - Ensure consumers are offered limits that reflect their ability to repay.

- Provide consumers with the opportunity to elect not to be sent unsolicited offers of credit limit increases.
- Decline transactions if the credit limit has been reached (or at least consumers can have the choice whether or not this happens).
- Applications and acceptance of credit limits are checked for appropriateness, legitimacy and credit histories examined.

## Case Studies

### Case Study 1 – Young Person

#### Facts at a glance:

*Consumer:* 20 year old female

Felicity always wanted a credit card and was determined to have one as soon as she turned 18. She thought that having a credit card would be cool because she would be able to ring up and order things over the phone, buy tickets to concerts and buy things online without having to ask her mum if she could borrow her card and pay her back when the bill came in.

Just after she turned 18 a letter came from the bank saying she was eligible for a credit card and that she should complete the enclosed forms and send them back or complete an application online. At the time Felicity was a student and working part time at the local supermarket and thought that a \$500 limit would be all she needed. She decided to take her application to a branch to make sure she had filled out correctly and to see what different cards were available to her. However, the teller would not accept her application as she did not have with her two copies of recent payslips so she took her completed form home. To Felicity's surprise a credit card arrived in the mail to her home address a week later and it had a \$1,500 limit. She was really excited.

After she had had her credit card for a month or so Felicity went to Queensland for a holiday with her friends. She thought that she was staying within her \$1,500 limit as her transactions continued to be approved. She really liked the idea of being able to pay for things by just swiping her card and signing – it seemed so easy!

When her statement arrived Felicity was shocked to read that she had spent just over \$2,200 on her holiday and had to pay \$200 in overdrawn fees. This made her really angry as she thought that the card would have been declined if she was over her limit.

It took Felicity almost a year and lots of extra shifts at the supermarket for her to pay off her credit card debt, but she was really proud of herself for getting her finances under control. Recently she had a friend's wedding and she went shopping for a new outfit. On impulse she bought something that was more than she could afford and used her credit card to pay for the new clothes. The next day she was left with a feeling of disappointment because she hadn't really thought about what she was doing and she had vowed to herself to only use her credit card for emergencies (like when she had run out of petrol a few weeks previously when she had got herself low in the country).

Felicity says she will keep her credit card because she finds it handy, but she really wishes she hadn't got one in the first place as she now knows how easy it is to give into impulses and buy things that you don't really need and how hard it can be to save the money to pay off what you owe.

## Case Study 2 – Single Mother

### Facts at a glance:

*Consumer: 50+ year old female, widower with two teenage children, Health Care Card Holder, works part time seasonally*

Alison's husband died a few years ago and left her to raise two children alone. She struggles financially but makes ends meet living quite frugally (*'I'm lucky my kids like baked beans'*) and working part time as a retail assistant in a local pharmacy. Her son has recently turned 16 which means he is eligible for Youth Allowance, this extra money has been a bit of a help. Her father-in-law had been helping her out with her mortgage but he too died a couple of years ago which means that she is entirely on her own financially, except from some parenting allowances and her son's youth allowance payments.

Alison has had a credit card for as long as she can remember and has tried to be responsible with it, though this was easier when her husband was alive and there were two incomes in the household.

December, January, February and March is a really difficult time of year for Alison and her wage and allowances cannot meet all the bills she has that includes the cost of Christmas, school uniforms, school fees, and car insurance and registration. During this time she uses her credit card a lot and counts on her tax cheque that comes in July to pay it all off in one lump sum. Until her cheque arrives she keeps the bank at bay by paying the minimum monthly payment. While Alison knows she pays a lot in interest, without her credit card there is no way that she would be able to make it through those tough months as she does not have the ability to save for the bills during the year.

At other times of the year Alison rarely uses her credit card, though in the last couple of months she did use it to buy tickets to a concert which was a bit of a splurge. She is hoping that her friends and family will chip in and help her pay for the tickets as part of her birthday present.



### Case Study 3 – Frequent Credit Card User, Householder with Children

#### Facts at a glance:

*Consumer: 50+ year old female, double income household with three teenage children, and has three part time jobs as a travel agent*

Sharon currently has two credit cards, one she received as part of a home loan package 15 years ago and the second she received 12 months ago when she bought a new washing machine from Harvey Norman on an interest free for four years deal. The Go MasterCard she received with her interest free deal has a \$15,000 limit and an interest rate of 17.52%.

Sharon uses her credit cards very frequently but she only uses them for what she considers to be luxury purchases, the things she needs but can't really afford like overseas holidays and \$500 shoes. She doesn't like to use her credit card for day-to-day expenses and always pays her bills from her cash account or from savings.

Within a year Sharon had spent the maximum of her credit limit on her Go MasterCard, which wasn't what she had intended. All she had wanted was the chance to buy her washing machine and have a few years to pay it off. Instead she has a \$15,000 debt and still owes the full amount for her new appliance.

Sharon is currently working three part time jobs to meet the expenses of her family, ensure her children have the ability to focus on their studies rather than juggling them with casual work commitment and to pay off her large credit card bills. She is in regular contact with her bank trying to negotiate a better deal – lower interest rates, no annual fees, and longer interest free periods. Sharon is also actively considering obtaining a balance transfer credit card so she might have a better chance of paying off her debt. In the meantime she continues to use her credit card and to buy those \$500 shoes she just 'has to have'.

## **Case Study 4 – Leant the hard way, responsible credit card user, Householder with children**

### **Facts at a glance:**

*Consumer: 42 year old male, working full time, married with two children*

Darren got his first credit card at 18. It was a direct debit Visa card which he used with little regard for what he actually had in the bank, so he paid a lot of fees. After a couple of years (and much money spent in overdrawn charges) he applied for and received a credit card that he wanted to take with him travelling overseas.

In his 20s Darren felt invincible and had no problem getting himself into debt as he believed he would pay it off eventually. This continued into his early 30s and before having children Darren and his wife bought whatever they wanted with their credit card and often received calls from the bank offering to increase their credit limit, which they almost always accepted. At one stage Darren wanted to buy a new motorbike and did so on his credit card as he thought it was easier and cheaper than trying to get a personal loan.

With children came the thought they should be more responsible so they decided to be more careful about what they bought. Over a number of years, working very hard, they were able to pay off their debt and save money to buy their first home. When Darren and his wife took out their mortgage they were also given another credit card and were told that using the credit card for all his purchases and paying it off in full at the end of each month was the most effective way of paying off the mortgage quickly.

Darren and his wife lived like this for a year or more before they realised they were consistently having an \$8,000 credit card bill each month and that they were only barely paying off their mortgage. They have since returned to their more responsible habit of living from their bank account and using cash and not credit. There is of course still the occasional splurge on their credit card, particularly when they are on holidays or when they want to give their kids something special.

## Appendix A– Summary of Advertisements

### 1 - ANZ, bank (credit cards)

**Title:** New ANZ Balance Visa  
**Country:** Australia (TCN9 (SYD)).  
**Date:** 10 / 02 / 2008  
**Duration:** 045 seconds  
**Description:** ANZ staff in boardroom. Simon suggests a credit card that rewards you as you makes payment instead of as you spend. Falcon in a room. ANZ balance Visa. Pack shot.

### 2 - ANZ, bank (credit cards)

**Title:** New Years Resolutions  
**Country:** Australia (HSV7 (MEL)).  
**Date:** 13 / 01 / 2008  
**Duration:** 030 seconds  
**Description:** This New Year, millions of Australians started a diet...pledged to work less...and vowed to get their credit card under control. 2.9% p.a. for the first 12 months on balance transfers. Contact details. Logo.

### 3 - BankWest, bank (credit cards)

**Title:** Woman At Mailbox  
**Country:** Australia (HSV7 (MEL)).  
**Date:** 20 / 01 / 2008  
**Duration:** 015 seconds  
**Description:** Woman panics as she approaches mailbox. She breathes into a paper bag. 'Don't fear your credit card bill.' Lite MasterCard, lowest ongoing rate of 9.89%. 0% for first 6 months. Visit website.

### 4 - Bopo (Australia), credit cards

**Title:** Win \$1000  
**Country:** Australia (TEN10 (SYD)).  
**Date:** 06 / 05 / 2007  
**Duration:** 030 seconds  
**Description:** Black and white animated people with cards. Load it with cash and use it wherever Visa is accepted. No over 18 restriction. Download music. Shop online. Visit website, enter code and pay fee for a chance to win \$1000.

### 5 - GE Money Bank, bank (credit cards)

**Title:** Genie At Restaurant  
**Country:** Australia (ATN7 (SYD)).  
**Date:** 15 / 01 / 2007

**Duration:** 030 seconds

**Description:** Waiter turns into Genie who compares two credit cards. GE Money low rate card charges only 9.99% p.a. Join now to get 0% for the first 6 months. Logo shot.

#### **6 - Visa, credit card (sponsor)**

**Title:** Jackie Chan - Beijing Olympics

**Country:** Australia (HSV7 (MEL)).

**Date:** 04 / 03 / 2007

**Duration:** 060 seconds

**Description:** Jackie Chan buys different sporting goods with his Visa in order to participate in the Beijing Olympics. He uses his martial arts skills. Bus with text - Visa the easiest way to get to the Olympic Games. The only credit card accepted.

#### **7 - GE Money Bank, bank (credit cards)**

**Title:** Emma Said 'Not Interested'

**Country:** Australia (2DAY FM(SYD)).

**Date:** 13 / 02 / 2007

**Duration:** 030 seconds

**Description:** Man buys some 'no interest' products and now she is interested. The GE Money low rate MasterCard is GENIUS, no interest on purchases up to 6 months.

#### **8 - National (National Australia Bank), credit cards**

**Title:** Christmas is Full On

**Country:** Australia (2DAY FM(SYD)).

**Date:** 13 / 02 / 2008

**Duration:** 030 seconds

**Description:** Man rambles until a woman tells him to take a deep breath. For a limited time new applicants can get 0% per annum on purchases for 6 months and 0% per annum on interest on NAB credit cards but you have to apply by 29 Feb 2008.

#### **9 - Wizard, Clear Advantage Mastercard**

**Title:** Going To The Footy

**Country:** Australia (3FOX).

**Date:** 20 / 06 / 2007

**Duration:** 030 seconds

**Description:** You gotta love going to the footy with a wad of cash! The game, the beers, the pies, and a hospital pass because your credit card king hit you with fees just for taking out the cash. With a Wizard Clear Advantage MasterCard you never pay ATM fees...

#### **10 - NAB (National Australia Bank), Low Rate Visa Card credit card**

**Headline:** live life at a great rate (snow-boarding)

**Country:** Australia (Sydney).

**Date:** 03 / 08 / 2007

**Type:** 48 Sheet

**Description:** Billboard appears at Martin Place Station, image of people snow-boarding, inset of NAB Low Rate Visa card, company logo.

**11 - ANZ, bank (credit cards)**

**Headline:** Get your credit card under control

**Country:** Australia (SYD MORNING HERALD).

**Date:** 16 / 01 / 2008

**Pages:** 01 image

**Description:** A narrow colour ad, the title and a description are shown on the left. Various credit cards are shown in the middle and the logo bottom right.

**12 - Australian Central, credit union (credit cards)**

**Headline:** Kids Twins on the way Low rate MasterCard Worries.

**Country:** Australia (ADVERTISER (ADEL)).

**Date:** 02 / 02 / 2007

**Pages:** 01 image

**Description:** Colour ad, image of Australian Central credit card, various title text and pointers, company logo below.

**13 - Citibank (Citigroup), bank (credit cards)**

**Headline:** Going to Monaco for the Grand Prix.

**Country:** Australia (NEWSWEEK).

**Date:** 17 / 09 / 2007

**Pages:** 01 image

**Description:** Insert title and blurred image of F1 car at Monaco, below heading and text.

**14 - NAB (National Australia Bank), Low Rate Visa Card credit card**

**Headline:** 100 things you should do in your life

**Country:** Australia (WHO).

**Date:** 13 / 08 / 2007

**Pages:** 01 image

**Description:** Colour ad, image of 'to do' list pinned to corkboard, text, inset of NAB Low Rate Visa Card below.

**15 - Virgin Money, online finance (credit card)**

**Headline:** Give your old card the chop.

**Country:** Australia (CANBERRA TIMES (CNB)).

**Date:** 17 / 02 / 2007

**Pages:** 01 image

**Description:** Colour double-sided insert ad, image of butcher holding meat cleaver

and Virgin credit card, application form for Virgin credit card follows.

**16 - ANZ, bank (credit cards)**

**Headline:** Buy a bundle for your little bundle.  
**Country:** Australia (essentialbaby.com.au).  
**Date:** 22 / 01 / 2008  
**Type:** 01 image  
**Description:** Rotating text

**17 - Aussie Mastercard, credit card**

**Headline:** GET A RESPONSE IN 60 SECONDS  
**Country:** Australia (news.com.au).  
**Date:** 02 / 10 / 2007  
**Type:** 01 image  
**Description:** Rotating text and credit card.

**18 - BankWest, bank (credit cards)**

**Headline:** PAY 0%p.a FOR 6 MONTH ON BALANCE TRANSFERS  
**Country:** Australia (bigpond.com).  
**Date:** 23 / 01 / 2008  
**Type:** 01 image  
**Description:** Rotating text.

**19 - Citibank (Citigroup), Platinum credit card range**

**Headline:** Exclusivity is...  
**Country:** Australia (smh.com.au).  
**Date:** 22 / 05 / 2007  
**Type:** 01 image  
**Description:** Rotating text and credit card.

**20 - Commonwealth Bank, bank (credit cards)**

**Headline:** Open up to a shopping dream  
**Country:** Australia (yahoo.com.au).  
**Date:** 03 / 12 / 2007  
**Type:** 01 image  
**Description:** Rotating text

**21 - National (National Australia Bank), credit cards**

**Headline:** 3.99% on purchases on new NAB credit cards

**Country:** Australia (afl.com.au).  
**Date:** 03 / 06 / 2007  
**Type:** 01 image  
**Description:** Rotating Text.

# Appendix B– Discussion Guide & Self Completion Survey

## *Consumer Affairs Victoria Impact of Credit Advertising on Consumer Decision-Making Research*

### Moderators' Guide (March 2008)

#### **Introduce self and purpose of group....**

Thank for coming.

Explain purpose of group – *The reason you are all here is to look at some advertising for credit cards and to talk about what you think of the ads and credit cards in general. All I want you to do is be honest about what you think and what you do, feel free also to talk about the other people you know – friends and family – and what you have known them to do or say about their credit cards.*

For those of you who haven't participated in a focus group before just a couple of things to note:

- one person to talk at a time
- frank and honest opinions is what we are looking for
- if you hold a different view or have a different approach speak up, and
- everyone needs to be involved.

Discussion is being taped [and people viewing/attending], however your confidentiality is assured. The group will go for about 2 hours.

#### **Group introduction ...**

Before I show you some ads and we talk about the ones you have noticed over the last week I would like you all to introduce yourself by way of:

- First name
- When you applied for your first credit card
- How many credit cards you currently have
- What you typically use your credit card for – emergencies only, everyday purchases...



### **Advertising evaluation...**

I am going to show you three different ads for credit cards – TV, radio, press, direct mail.....  
And I would like you to just note down a couple of things quickly after I show you the ads

*Short self completion exercise to record first reaction prior to group discussion*

*What stands out to you in this ad?*

*What is the ad trying to say?*

*Where would you expect to see/ hear this ad?*

### For each execution explore:

- Can you recall seeing this ad – where, when...
- What really stands out to you? What did you notice first?
- What message do you think it is trying to convey / what message did you take from it?
  - What is the overall tone of the message
- What does it say about the credit card?
  
- What do you remember about the fine print or conditions the ad presented?
  - Do you understand what these meant?
  - How would you explain them to someone else?
- Is it trying to appeal to people like you? How?
  - Does it interest you?
  - How would it make you act/ think? Why?
  - How do you think others will respond?

Let's move on to talk about the ads you have noticed over the past week....Who would like to start?

- Where did you notice (hear/ see) the advertising?
  
- What stood out to you about this ad?
  
- Do you think the ad was trying to appeal to people like yourself?
  
- What is the ad trying to say?
  
- Who is the ad trying to appeal to?
  
- Would you act on this ad? Why/ why not?
  
- From what you have noticed, how do companies try to encourage people to apply for a credit card?
  - Why do you think this works? How does it influence people?

## Behaviour and attitudes towards credit cards

We are now going to talk about credit cards more specifically, and not just how they are advertised.

- How do you feel generally about credit cards?
  - [Helpful, necessary evil, tempting...]
- What first lead to you applying for a credit card?
- You mentioned you typically use for emergencies – what was your last emergency?
- Do you typically pay it all off when you use it to extend until your next pay?
- When did you last apply for a new credit card? Why did you do this, what prompted you?
- Have you ever applied to increase your limit? Why/ why not?
  - What would make someone want to increase their limit?
  - Have you ever received a letter from your bank/ financial institution offering you to increase your limit?
  - How did you feel about this?
- If someone has a \$1,000 limit on their credit card is that money they have available to spend or money that they would owe? [Probe for: views of credit cards as debt or money to spend]
- How much do you understand about credit cards and how they work?
  - Can you tell me what you understand about how they work?
  - Do you know what interest rate applies to your card?
  - How interest is calculated?
  - What about 'interest free' periods, how do these work? What about carried balances?
  - Do you think people really understand about credit cards and how they work? What do you believe is the most confusing?
  - What about statements? Do you know how to read them?
- What do you understand about debt consolidation?
- How do you keep control over how much money you owe on your credit card?
  - Do you regularly review or consider how much you owe or the limits you have on your credit cards?
- Have you received an offer to apply for a credit card or letters saying they are "pre-approved" for an increase in your limit? Do you have similar feelings about both of these, or does one type has more impact than another?

- Tell me about your friends and family who you believe use their credit cards responsibly?
- What about others who are less responsible? What bad stories have you heard of about people who have been out of control of their credit cards?

### **Perceptions regarding credit card providers**

- What do you think about banks and other institutions that provide credit card providers?
  - Why do you say that?
  - What other words would you use to describe these organisations?
- What do you understand as the obligations banks and other financial institutions have towards their credit card customers?
  - What do they have to provide?
  - What would you like to hear from them?
- How is the credit market regulated?
  - What organisation makes sure that banks and other credit card providers are doing what they should do?
- If you had a complaint about your credit card provider what would you do? Who would you turn to?

### **Communications needs**

- If you wanted to know more about how to manage your money where would you look? [Awareness of financial literacy programs]
- If you had a close friend who was in financial trouble where or from whom would you recommend they get help? [Awareness of financial counselling services]
- What would you like to know more about in relation to credit cards or owing money [debt]?
- Where would you look for this information?
- How and where would you like this information to be presented? [Medium & channel]

### **Summing up...**

- If you were to design an ad a credit card what would you recommend the ad say? What would be most effective?
- What is likely to have the opposite impact? What would make people turn off advertising for credit cards?

- How can Consumer Affairs help people who are having problems with their credit cards and the amount of money they owe?

***THANK AND CLOSE.***

**First Name:** \_\_\_\_\_

**Group:** \_\_\_\_\_

**Ad 1**

What stands out to you in this ad?

What is the ad trying to say?

---

**AD 2**

What stands out to you in this ad?

What is the ad trying to say?

---

**AD 3**

What stands out to you in this ad?

What is the ad trying to say?