

**KEY INFLUENTIAL FACTORS ON PURCHASING THROUGH  
CREDIT CARDS UNDER THE STIMULATION OF REWARDS  
PROGRAMS**



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PROGRAMS**

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Kankamon Buaban

# **KEY INFLUENTIAL FACTORS ON PURCHASING THROUGH CREDIT CARDS THROUGH THE STIMULATION OF REWARDS PROGRAMS**

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## **ABSTRACT**

This research aims to study the retail payment markets by understanding the current development promotions to identify possible future trends, by bringing the consumer behaviors and most of the incentive programs. There were two research objectives which are to study key influential factors on purchasing through the credit cards and to investigate how effective of the rewards programs work to incentive them spending through the credit. The expectations and requirements of the credit consumers are strongly influenced by the growing of alternative banking solutions, a loss of trust of trust in the baking industry and major social trends such as the incentive of promotion programs. There are signs that credit issuers need for more improvement their service performances to encourage more usage on credit spending. Overall, the research finds the valuable findings which will further stimulate companies to improve their services underpinning of innovation of retail banking and payments.

The research utilized the qualitative approach by using the in-depth interview. The interview was conducted at the various perspectives of respondents who are using the credit cards.

The study revealed that “rewards programs” was considered as the most attractive factor when making a decision for alternative payment types. Non-monetary rewards programs are less effectiveness in the decision-making process when dealing with shopping behaviors. Therefore, credit companies should be kept innovative on the services as primary concerns to compete in the growing of alternative payment types.

**KEY WORDS:** Thailand Credit Card / Reward Programs / Loyalty Program / Consumer

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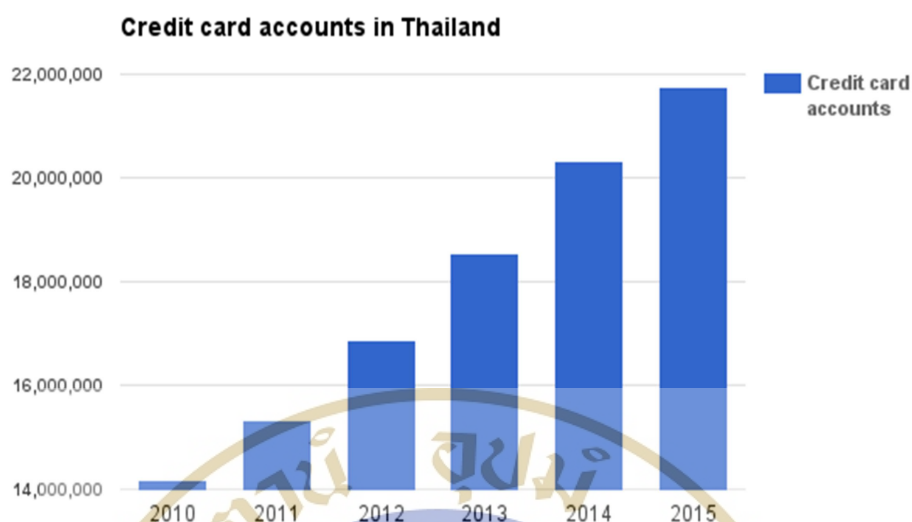
## CHAPTER I

### INTRODUCTION

#### 1.1 Credit Cards Consumption in Thailand

From the past decade through currently, there has been growing on changing purchasing behavior of consumer finance due to the increasing alternative of payment types. The Credit card has been playing an important role here to define as a payment tool of commerce and transactions that widely used to purchase goods and services. Credit card changes the consumer usage behavior by two main important roles. Firstly, credit card served the convenience of payment replace of using cash or check transactions while another role is the primary source of consumer credit comparing with other forms of financing.

By the functional benefit of the credit card, it is serving more convenience to credit cardholders all over the world including the cardholders in Thailand. From the statistic of Bank of Thailand figures 1.1, it shows the change of credit card accounts in Thailand (including with both issues by a commercial bank and non-bank issuers). This figure represents the total number of credit card accounts in each year (the most recent report published by BOT on October 2016). This shows the significant number of increasing on credit accounts from 2010 until 2015 that was a 54% increase in the number of credit card accounts over the short period.



**Figure 1.1 Change of Credit card accounts in Thailand from 2010 - 2015**

**Source: Bank of Thailand, 2016**

From the steadily increasing of credit card accounts in Thailand, it also raises the competition of credit issuers. The competition on credit card market become more intense as the competing between domestic and foreign banks that are more targeting on Thai consumers. Also, by announcement rules for credit issuance in 2002; it resulted increase more competition in credit card companies because of it supposed to growing number of competitors engaging in credit card industry. This shows that the credit cards are more available for Thai consumers than it has been in the past decade.

However, credit cards can serve more payment convenience for consumers but there still have cash and other paper-based payment that is largely used by consumers in Thailand. With the intense competition in credit market situation, credit issuers have to launch incentive programs to stimulate using of credit card payments and gain more customers into their accounts. The incentive programs here defined as the popular method that is largely used in the credit industry such as cashback

rewards, gift cards incentive and discounts which made credit issuers confrontation with the large costs. Thus, the large costs of investment on incentive program face the uncertainty of how to make the program effective as an aspect. In the credit industry, there are many similarly incentive programs that influenced consumer spending more on their credit cards. So, it is important for credit issuers to understand how consumer using a credit card for spending under the influence of rewards programs which will become a key strategic for financial industry inside of credit card business.

In this paper, it aims to study the impact of credit card rewards on consumer spending by exploring two questions. Firstly, what caused consumers using a credit card on their spending and do rewards programs incentive consumer spending more?

## **1.2 Problem Statement**

The problem of this research will explore is consumer purchasing behavior under the rewards programs of card issuers. This will also include how the effectiveness of rewards programs influence on consumer decisions. The specific factors related to purchasing behavior through credit cards such as impulse buying, materialism, self-esteem and rewards programs itself. The study will identify purchasing behavior of the rewards programs and how it affects consumer purchasing decisions.

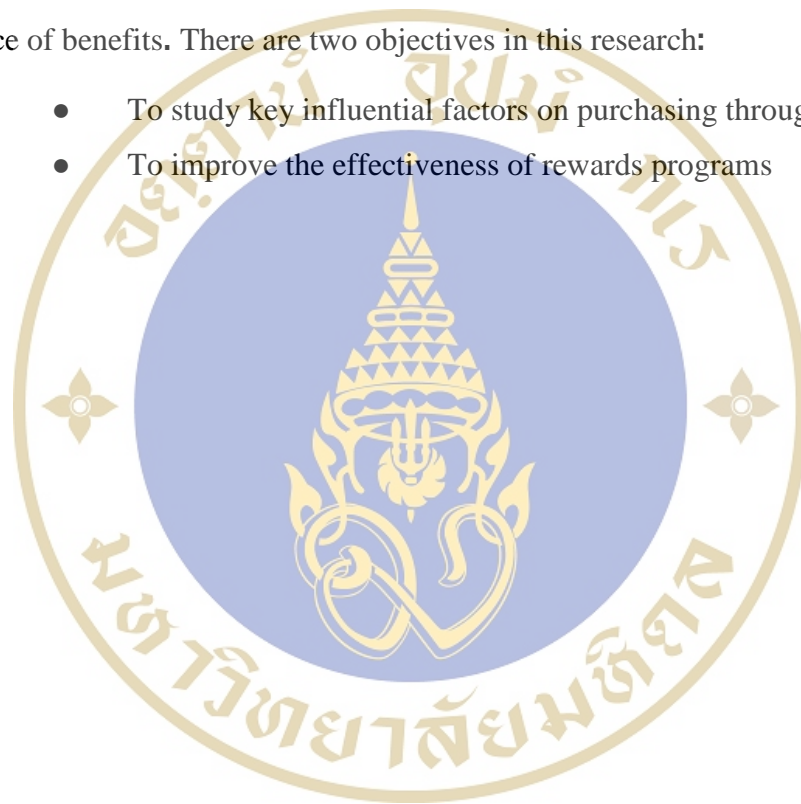
However, this research will focus on the Thai credit card market and identify factors that could be recognized from relevant research. By exploring the aspects of consumers, it will be essential to understanding better on how consumers responded to rewards programs from card issuers. In addition, it will help the company

create the most effective programs for incentive the right users with valuable of programs investments.

### 1.3 Objective of the Study

The purpose of this research is to explore how effective of reward programs that launched by credit by studying the purchasing behaviors under the influence of benefits. There are two objectives in this research:

- To study key influential factors on purchasing through credit cards
- To improve the effectiveness of rewards programs



## CHAPTER II

### LITERATURE REVIEW

#### 2.1 Credit Card Industry

The consumer behaviors on financial payment in the past decade used to purchase goods and services through cash while the business used cash or checks for their business transactions until the 1900s. The first proprietary cards of the world were introduced for creating customer loyalty and improving service. This card does not purpose for credit features but it created the first general credit card concept in 1966 (Sienkiewicz, 2001). From the first introduced of a credit card, it becomes more popular among the consumers in a short period as it is the mode of bill payment, entertainment, and travel.

A credit card is serving the mode of payment to consumers such as serving more convenience rather than holding a large amount of cash and give more flexibility on large volume purchasing (Lim, 2014). Also, credit card also provides the emergency fund in case that the unexpected expense occurred. In the other hand, credit card also provides accumulated of rewards point on spending, discounts, cashback and other promotion that are only when people using the credit card.

The credit card in Thailand was introduced less than a decade comparing with the developed country. Thai people often used the credit card for their merging of bill payment that will reduce the charge from the bank on each payment. Also, most of the restaurants are cooperate with credit issuers to offer the discount on purchasing through credit card or zero percentage installments on purchasing products (Thailand credit card report, 2004).



However, the credit cardholders are growing rapidly comparing with other payment types which caused to high competition on credit market. The credit card issuers are difficult to increase the new cardholders because of the cardholders have the variety of payment alternatives including with a high number of a competitor in the market. Then, the way to reach their profitability of each company become the challenge. To compete with the high competition and situation of shifting on consumer behaviors, some of them look back to themselves as reevaluate the effectiveness of their service activities of their company (Ching and Hayashi, 2008). With the growing of consumer choice of payment types related to increasing number of barriers, this challenges the card issuers to make their profitability. Each company will want the consumer to consume as the higher of sales, the more they consume related to the more profit the organization can gain. So, some of the card issuers tend to adjust their strategy by increasing their card usage to reach the market share rather than compete for the new accounts. They offer the attractive rewards programs to existing customers to incentive their spending on credit.

## **2.2 Young adult toward Credit Cards Consumption**

In the past decade, they had the mindset on purchasing behavior to save first and pay later but young consumer currently moved their new mindset - borrow first, pay later. Then, the credit cards supported this concept of the young consumer with their temporary concept - spend first and pay later. It allows young consumer spending behavior shift on their spending and builds their social status toward achieving their goal (Robert, 1999).

Young consumers on credit market defined as a lucrative specific target group for company or card issuers. They are vulnerable segment such they are unwell

decision purchasing behaviors as a lack of self-control and shopping impulsiveness (Szmigin and O'Loughlin, 2010). In addition, human needs and want have increased from time to time. It increased from basic necessary to the source of the luxury product or superior quality of basic things. Young consumers always maintain their consumption over their needs even if their income will fluctuate but they supposed to do it beyond their income by using credit cards as a convenience tool without any much concern (Soman & Cheema, 2002).

Moreover, credit cards on the young consumers holding have a fewer restriction on their spending which causes them overspending, but credit card still remains a need for the young consumer to overcome the disadvantage of holding credit. Then, the credit issuers plan their marketing strategy to young generation applying for their own credit cards. The marketing strategy begins with operating with many merchants motivate the consumer to use the credit card by providing benefits to them - the more of their spending, the more they can redeem the point for offered gifts (Lim, 2014).

### **2.3 Rewards Programs**

In the past 20 years, the first credit card rewards were introduced by Diner' club for offered airline miles to cardholders. It aims of this rewards for stimulating consumer purchasing through credit cards for travel and entertainment. It becomes popular until the 1990s that the rewards programs offer the most alternative program to consumers such as cash back, bonus base on purchase volume, reward points donation to charity and discount on a product that sold by co-branded card issuers (Lim, 2014 ). Then, the competition between card issuers become more intense caused to some of them seeking to the new way of offering rewards programs such as five



percentage cashback on purchasing. Some of the card issuers seeking for the different way of traditional product category by offer greater reward for purchasing on gold and platinum (Ching and Hayashi, 2008)

Rewards programs defined as the incentive to the consumer in order of cumulative purchasing of products of services from firms. The rewards programs normally have three kinds of their structure as continuity programs, frequency programs, and trading stamp programs but it shares the main purpose to the incentive on consumer purchasing and increases customer loyalty.

However, rewards programs are different from the promotional tools such as coupon and sweepstakes that only offer money incentive, but, rewards programs use other types nearby money. It can be firm's product (for example, offered a discount) or other firm's product or services (for example, the hotel offered) that the card issuers cooperate with (Mengza Shi, 1997). Moreover, from the study of Agarwal, Chakravorti, and Lunn (2010), they found that cardholders generally spend more on when card issuers offer attractive rewards programs to them such as cash back rewards. The most of the consumers that react to this rewards are the group that did not spend or carry a large debt on their credit cards. So, they will have more power to react on rewards programs.

## **2.4 Key influential factors on Credit card usage**

### **2.4.1 Impulsive Buying**

The impulsive buying defined as when the instant powerful of individual effect immediately to purchase something (Rook, 1987). It occurred to fulfill specific of buying or does not have intention of purchasing. Impulsive consumers will be easy

to influence by the rewards programs on credit cards when their impulse is out of control. With the readily accessible purchasing of credit cards, the rewards programs will support them to decide on their purchasing faster to fulfill their desires (Nor Asiah Omar, 2013). In addition, when the consumers are under pressure of point-consumption or demonstrate their materials desires, the impulse will identify as the stimulative on consumption (Cakarnis and D'Alessandro, 2015). Impulse buying is also involved with pleasurable experience of consumer. Much human is driven by impulse that stimulated by psychologically and biochemically. The former function neuropsychologically as waves that stimulate change continue along the nerve and trigger mental response. That is function stimulating and motivating the originate from both conscious to unconscious (Wolman, 1973)

However, impulse consumption leads to risky consumption behavior and spending as the purchasing actions happen without caution on realistic usage. So, it is difficult to refrain impulsive purchasing because it is more like using emotional rather than rational to feel the products, the feeling of luxury. Finally, impulsive consumers are out-of-control when buying impulse more than making thoughtful purchasing. It is often goes along with the intense feeling state (Rook, 1987).

#### **2.4.2 Aspect on Materialism**

Materialism is a passion of material desired which driving on getting more material things to serve their needs. When the individual needs are not fulfilled satisfy, they will turn their attitude to materialistic needs to achieve the desired state as purchasing the expensive things (Sirgy, 1998). The individual who are popular in public self-consciousness always concerned their social appearance. People who are

materialistic normally are compulsive buying but to reach their social status on material proprietary, it will cause to their impulsive buying (Yingjiao, 2008).

Therefore, credit cards can provide them for immediate satisfaction when they purchased with higher material level values (Foscht, 2010). The rewards programs also are stimulative to influence their purchasing on their material desires and reach social status faster than usual cash payment (Omar, 2013). By purchasing through credit cards, materialists can contribute their image to the public and social identity of their lifestyle because it served readily available products to fulfill them (Bernthal, Crockett, and Rose, 2005).

However, there still have material constraint issues that can make people easily to influence by rewards programs of the credit company. Low cultural capital lifestyle people, they will use their credit card to maintain their current consumption by using short-run protection from material constraint. In contrast, the high cultural capital lifestyle people use the credit cards to reach their different lifestyle objectives. It is not significantly on the material constraint issue but it more like the opportunity of people to afford for their acquirement (Bernthal, Crockett, and Rose, 2005).

### 2.4.3 Self-Esteem

Self-esteem defined as the degree of the self-concept as it is an individual's feeling about the value of themselves. It presents the interpretation of the other people think about them (Rosenberg, 1979). Self-worth influenced consumer's environment and life experience. This caused especially young consumers that influence their self-worth by relationships and evaluation from the other (Pascarella and Terenzini, 1991). The individual who has the lower level on self-esteem will lead to psychological stress. They will tend to buy expensive luxury goods on credit to fulfill their self-

worth and they are easy to the incentive of rewards programs on credit when the consumer's income is insufficient to meet their needs, they will buy luxury products by using their credit cards to amend their self-confidence (Pettit and Sivanathan, 2011). It is less likely to happen with people with high self-esteem because they are more confident in themselves and less emotionally to incentive by rewards programs. They have less sensitive emotional problems such as depression and fluctuation of mood (Yelsma, 1998).

Furthermore, consumers validate the attractiveness of products by their hedonic pleasure assert with purchasing for that goods in finally (Thaler, 1995). Human prefers goods that can respond to their hedonic pleasure while minimizing their pain of paying in psychological. When purchasing with cash, it can response their pleasure on consumption while pain on payment (Soman, 2003). Therefore, purchasing the credit card affords consumers an opportunity to temporary payment for hedonic consumption and decrease their pain of paying from using cash (Feinberg, 1986). Credit helps to anesthetize of expenditure while a response to their pleasure of consumption. That is, credit provides the opportunity for less psychologically painful to consumption compared to cash for the individuals already experiencing purchasing pain. Therefore, the credit preference on rewards programs also has a significant impact to psychologically painful. Rewards programs make consumers less pain when they purchase with a good deal (Pettit, 2010).

#### **2.4.4 Rewards Programs**

The rewards programs were playing a significant role on current competition between bank issuers. Many rewards programs were launched to incentive spending of their existing customers and increase the revenue in form of charges. This

is not just only increase the revenue of organization but also increase brand awareness on the credit market for growing over their competitors. However, rewards programs on certain things shown the overflow effects in related products. When consumers acquired with unexpected of credit-discount or cashback for their purchase of one product in the store, it is not only increased their incentive on demand products but also enhance spending spillover (Heilman, 2002). Moreover, it also changes in the marketing mix of one product which can influence demand for related items. Whereas the incentive programs were understood as a variable in the marketing mix, the consumer will have both positive and negative perception whether the price or quality of given product. This is also caused to change in increase total spending on other items and negative changes to reduce spending on it (Janakiraman, 2006).

However, the different between the incentive programs and merchandise activities caused much effect on consumer spending decision through the credit cards. Discounts, points, and cash-back are generally found to have a positive and significant effect on the use of cards while gifts are not significant (Valverde and Zegarra, 2009). These different types of rewards programs have significantly effect to satisfaction of cardholders which the effect is also varies by types of merchant sectors. Moreover, from the study of Agarwal, Chakravorti, and Lunn (2010), they found that cardholders generally spend more on when card issuers offer attractive rewards programs to them such as cash back rewards. The most of the consumers that react to this rewards are the group that did not spend or carry a large debt on their credit cards. So, they will have more power to react on rewards programs.



## 2.5 Gap of Literature

Most of the researchers study rewards programs on the credit cards without considering the consumer insight and their intention to use its. The factors that influence people to use the credit may be different as consumer perspectives. Further study in this paper focused on the psychological of shopping behavior where the credit cards often use upfront.

The monetary and non-monetary rewards programs (cash back, discount rate, point redemption and etc) are programs that have few different between credit companies including the behavior of consumers making decision process. Therefore, there are concerned as low-involvement services.

## 2.6 Conceptual Framework

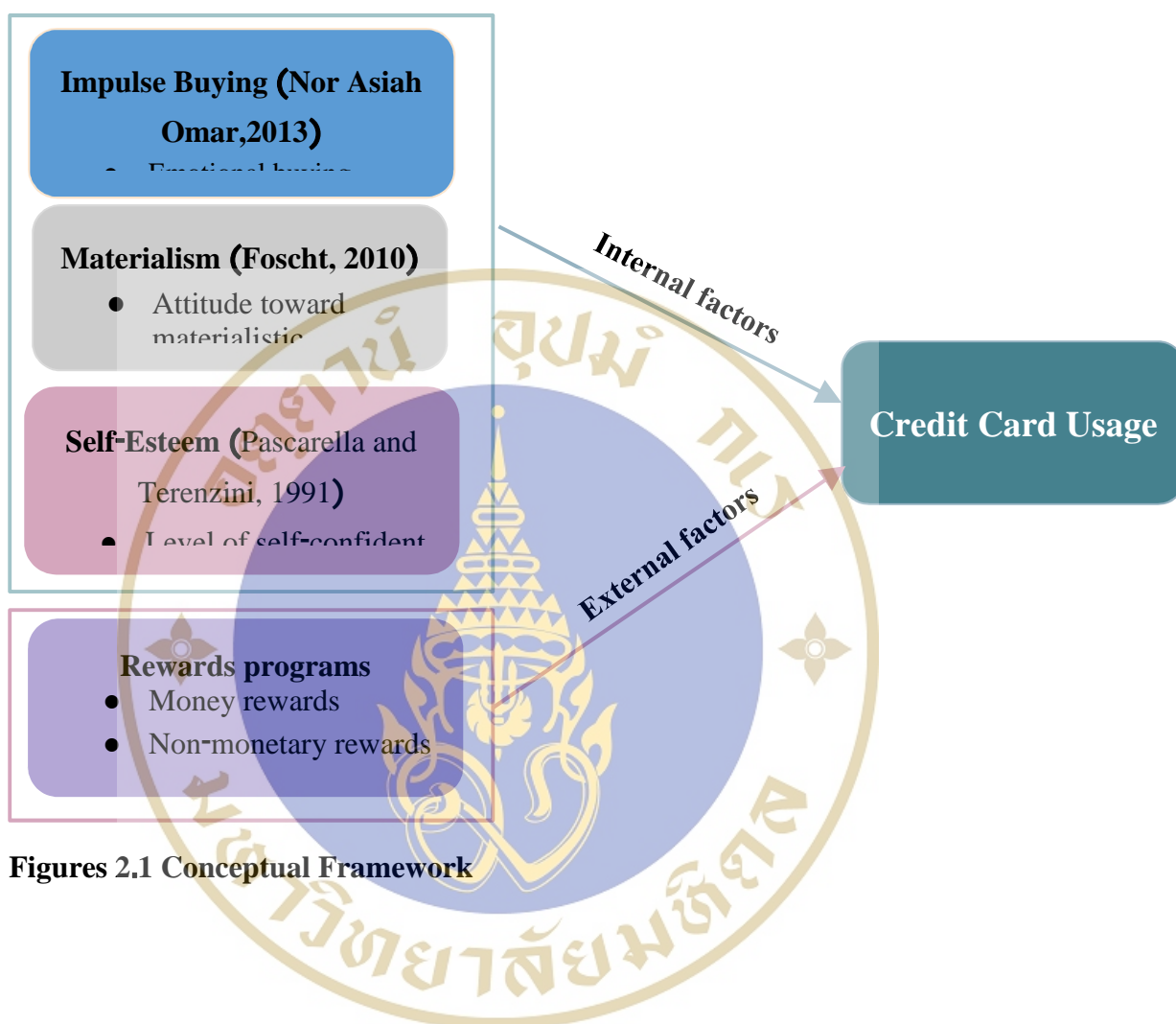
The study on this paper focuses on intention to use the credit cards toward the psychological factors and rewards programs factor. Based on the literature, the variables studied included with impulse buying, aspect on materialism, self-esteem and rewards programs, those which were influencing of using credit cards. Because of the limit time of the study, the mentioned variables would allow the possibility of credit companies being stimulated their right insight. The hypotheses were as following, based on the conceptual framework in figure 2.1

**H1:** Impulsive buying positively affected consumer using their credit cards on their spending

**H2:** Aspect on materialism significantly affected consumer using the credit cards

**H3:** Self-esteem affected consumer decision used the credit cards on their purchasing

**H4:** Rewards Programs significantly stimulated consumers to use the credit cards



**Figures 2.1 Conceptual Framework**

## 2.7 Conclusion

The literature demonstrated the factors that influence consumer's using their credit cards on their spending. The factors used both internal control as impulse buying, aspect on materialism, self-esteem and external control as rewards programs (monetary and non-monetary programs). The purpose of the study was to understand more about the consumer insights on making decision process of using credit cards by the stimulation programs from the credit issuers.



However, the study focused on low-involvement services only by using the promotional tools as rewards programs to represent the effectiveness of credit usage. Four variables were used based on the literature review since they were related to consumer insights and intentions.



## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Approach**

To understand factors that influence consumer using their credit cards on their spending, the research designed to collect data by using qualitative method especially using the in-depth interview. The qualitative method is typically flexible to adaptation to give an answer and question between researchers and participants. It is kindly open-ended question that is not necessary to response in the same way of other respondents. With the open-ended question, participants are free to respond to their own words and researcher also able to ask how and why. This can give the useful analysis on what research finding.

However, in-depth interviews with young consumers designed to understand their consideration towards the usage of credit cards. Young consumers were defined from age 25 to 35 years old and using the credit card at least six months. The interviews designed to discuss in Thai version in order to make accuracy on understanding and prevent any embarrassment of respondents. The interviews were voluntary and there is no incentive given to interviewees. The relevant information which occurred at least two interviews will be suitable to use response the questions while the verbal recording from the in-depth interviews was literally transcription.

### **3.2 Data Sampling**

Reassurance of this research is to recruit the most credible sample by maximizing variations of sample size. Therefore, the interviews include a total of 15 respondents that selected through the convenience sampling based on researcher's experiences. There were 3 of 15 respondents of an executive population who use credit cards in everyday life for every of their purpose while the remaining of sample size were used there at least one year.

### **3.3 Data Collection Methodology**

Data will be collected by using in-depth individual interviews to understand their perceptions and consideration of credit cards usage under the influence of rewards programs. During the individual interview, it will be recorded by literally transcribed. The questions that use in an individual interview would be a variety of open-ended type. The sample will be selected by convenience sampling method across Bangkok-related communities. Also, with limited communities of voluntary would lead to respondent bias if it just interviews across Bangkok. It will provide research purpose across more communities such as another countryside to reach potential respond. This will also reduce some bias of interview that will occur in the future.

The questions for in-depth interview consist of three main part (exclude the screening question. The first part is general information that included questions about gender, age, and income. The second part is factors that influencing the consumer to use the credit card (the purpose of usage). Lastly, the impact of rewards

programs on their decision on credit card spending. The questions that will be asked in the in-depth individual interview, the researcher will try to construct base on the conceptual framework (Table 3.1).

**Table 3.1 Research Variables and Scope of Questions**

Variable	Scope of questions
<b>Impulsive buying</b>	<ul style="list-style-type: none"> <li>- Unplanned items purchasing</li> <li>- Frequently of unplanned purchasing</li> </ul>
<b>Aspect on materialism</b>	<ul style="list-style-type: none"> <li>- Buy things to keep up with the other, trends or to feel happy</li> </ul>
<b>Self-esteem</b>	<ul style="list-style-type: none"> <li>- Buy things for look good, smart or increase more self-confident</li> </ul>
<b>Benefits of Rewards programs</b>	<ul style="list-style-type: none"> <li>- The influencing of rewards programs (how attractive of those programs on purchasing)</li> <li>- The interesting on rewards programs</li> </ul>

### 3.4 Data Interpretation

The literal transcribes from the in-depth individual interview will use to analysis and understanding way of respondent' answer. The relevant information that occurred at least two times in interview will be suitable to the theme while the other

information will be collect as sub-theme. The data analysis will show by describing data finding including with using respondent's verbatim be the examples.



## CHAPTER IV

### RESEARCH FINDINGS

This research aim to explore how effective of reward programs of credit issuers by studying the purchasing behaviors of cardholders under the influence of those benefits by using the qualitative method. The qualitative method that using on this research mention for the in-depth interview with the respondents. The result of this individual interview is separate into 2 sections as general information and the result of exploring.

#### 4.1 Respondent's Information

The demographic information included in the interview questions. The 15 respondents were required to identify some of their demographic that included with (1) Gender, (2) Age and (3) Income. To understand the sample population based on demographics, Tables 4.1 through 4.3 shows summarized data by the respondent's general information.

**Table 4.1 Descriptive Information of Gender**

Gender	Quantity	Percent (%)
Male	6	60
Female	9	40

<b>Total</b>	<b>15</b>	<b>100</b>
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**Table 4.1** demonstrate gender information. A majority of the respondents the respondents, 60% (9) respondents were female while 40% (6) of the respondents were male.

**Table 4.2 Descriptive Statistics of Age**

Age range	Quantity	Percent (%)
18 - 25	7	46.67
26 - 35	8	53.33
<b>Total</b>	<b>15</b>	<b>100</b>

**Table 4.2** demonstrate the age of respondents in the interview. The respondents are in the young adult target group which majority on 53.33% of 25 -35 years old (8 respondents). Then, the remaining 46.67% defined as the group of 18 - 26 (7 respondents).

**Table 4.3 Descriptive Statistics of Income**

Income range	Quantity	Percent (%)
THB 15,000 - THB 30,000	6	40.00
THB 30,000 - THB 60,000	7	46.67
More than THB 60,000	2	13.33



<b>Total</b>	<b>15</b>	<b>100</b>
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**Table 4.3** demonstrate range of income of respondents. Out of 15 respondents, the highest number 46.67% (7 respondents) shows on THB 30,000 - THB 60,000, then, 40% (6 respondents) on THB 30,000 - THB 60,000 and then 13.33% (2 respondents) on more than THB 60,000.

## 4.2 Hypotheses Test

This chapter demonstrate of the study findings and summary of those findings. The 15 respondents provide their attitude level toward purchasing behavior through credit card under the credit benefits. The factors considered being categorized by impulse buying, materialism, self-esteem and rewards programs described belong with the purchasing behavior of the cardholders.

From the interviews, respondents hold different kind of card issuers based on their income range. The results also revealed the majority of respondents decide to use credit card for their convenience of payment on their purchasing as mentioned 14 out of 15 respondents, followed by preventing them from holding a lot of cash (11 out of 15 respondents) and to take benefits from the credit cards (8 out of 15 respondents).

The following were the results provided by respondents related to the relationship between their purchasing behavior and dependent factors of the research findings:

#### 4.2.1 Impulse Buying

From the interviews, 9 out of 15 respondents responded that they usually purchase something out of their list while they were shopping. To shop something out of their list, some person purchased over THB 5,000 to reach their desired. The instant powerful affect them to consume more thing without consideration. Also, the incentive on advertising of credit cards such as the discount, 0% of 3 - 6 months installment and cashback lead to stimulating their powerful to make instant payment for it. Therefore, holding the credit cards lead to make them have more powerful for affordable. The respondent provided their experiences as follow;

“I often go shopping every weekend. Mostly of shopping purpose is for routine products such as shampoo, detergent, dishwasher, and toothpaste. It always has just only 4 - 5 things on my list and all about a routine product but finally, I got 7 - 9 things of that shopping time. I have reviewed those exceed things from my list and most of the time, it was apparel. When I buy it, I did not have any criteria even if the budget that I have remaining on that day”

“On my weekend, I decided to visit the shopping mall for meeting with friends or family. At that time, I did not think that I will shop anything. In somehow, I thought that I just went there for lunch or dinner. Finally, after finish my lunch or dinner, we always walk around the department for sightseeing. Finally, the discount of goods or services brought me to buy something. At that time of buying, I thought that discount from credit card offer makes my needs more than using rational. I thought that I got the cheaper price of my wish list (watch), why I have to lose this opportunity. That is why I grab those goods on my hand instantly”

“I thought that I always buy more stuff rather than I decided to buy it. It almost about cosmetics and apparel. I have been solving this problem by list all of the things before shopping but it does not work for me as much. I still got an extra cosmetic and apparel when I visited the stores. AS we know that cosmetic and apparel trend are going faster. They have many new designs and items launched, I will say that week by week of new arrival. When I spend my time in the cosmetic and apparel stores, there is no time ending for that shopping. It feels relax to monitor the new things and read all their information. After that, I got some stuff in my shopping cart. Finally, my cash in my pocket did not enough to support. I have to use the credit card for avoid paying upfront”

In the other hand, different people have a different perspective on what they are behaving in their routine. As the shopping behaviors for some of the men, the impulse buying do not reflect as much to whom planned before buying and using rational more than emotional. The respondents have been share some experience as below;

“For me, I think I behave like most of men shopping behaviors. I did not shop other stuffs out of my list. When I decided to visit the shopping mall, it means that I already have something to buy on my lists and I just go directly to that shop. When I can grab what I want, I will go out of the shopping mall. I did not waste my time there for sightseeing or walk around without any reason of shopping excepting the case that I am dating with my girlfriend.

These statements are related to the study of Rook (1997). People use emotional rather than rational for impulse shopping. When they are out of self-control, the impulse buying will take place to drive their emotions by the surrounding incentive

of discounts, point collection or cash back. The signage of promotions were play the important role here to stimulate the impulse purchasing of people. From “impulse buying” factor result of overall respondent shows that people always buy things out of their list because of the attractiveness of promotion or discount rate up front.

#### **4.2.2 Aspect on Materialism**

From the interviews, 10 out of 15 respondents provided that materialism placed to be the top influencing factors for using credit cards. The materialism affects their perspective in the case of purchase thing to fulfill their pleasurable and follows their social trend. Most of the respondents provided their perspective that they purchase material things to satisfy their life. The higher of material values, the higher of desire for their satisfaction. To purchase expensive things, it could help them reach their desirable and social status. Cash payment could not support them to make those material things with a higher price because of some time, they are not necessary to hold a lot of money on their pocket but credit card support to do it.

“In a year, I will have my wish list on my mind for served my desires. I have no idea that why I have to set it. I just feel that if I could get all of my lists in this year, it make me fulfill of my happiness. Before I registered for the credit cards, I cannot reach all my wish list within a year. Sometimes, it takes 2 to 3 years to get all of it but things also increased following the year pass. After registering for credit cards, it could support me to buy all of it in a year. The rewards programs from the credit issuers give me feel also satisfy that I can get goods at cheaper price, I thought”

“We all have our one favorite brand and me also one of the fans of one luxury bag. At my workplace, most of my colleagues are using a different kind of luxury bags because we are in the fashion industry. Many people alway update their

trend and their look follows the time change. Before I started working with this fashion company, I did not often buy this luxury bag because of it is expensive and worse a lot of my money in a year. Since my work starts here, I could not stop my desires for buying more of this luxury bag. In this year, I got 3 - 4 luxury bags within 11 months, it is more than what I thought. I just catch it follow the fashion trend and when it says limited edition. Absolutely, the luxury bags mostly pay by the credit cards as I need to collect point for good hotel redemption at the end of the year”

“I think that my material desires are growing up every year. I mean that the value of those materials desires is increasing every year. Previously, I was a student in the university. If I was got the new mobile phone, it already made me the satisfaction of my life. After I am graduated, if I got the new car, it also makes my life more comfortable and fulfill. But, in this year, I thought that if I could get the new MacBook, I will have the most satisfaction of my life. When I compare between each choice that I think it served my level of satisfaction. I think that the last one is the most pleasurable for me”

“When I feel disappointed, purchasing will heal me from that worse moment. I feel better and relax if I got something as my desires at that moment. To purchasing through credit cards, I feel like I can get all things that I want at that time. I do not have to worry that my money in the pocket will not be enough to send me home after shopping and I also get the benefits as the credit issuers provided”

In contrast, some of the people do not place their desire on material things. They do not concern about their social appearance in the public. So, they tend to buy things follow their rational of purchasing or already thinking many times for their buying process. The research has been founded the respondent experience as provided below;



“I do not spend my money over THB 5,000 for purchasing things without any reason of purchasing. To satisfy my life, I feel happy when I have money remaining in my pocket. That is why I feel uncomfortable to spending things without any reason except it already broken. As in the case of smartphone like iPhone, I am interested on every time that it released the new series. It could stimulate my needs to buy but it makes me feel uncomfortable if I have to spend a lot of money on it. To purchase thing for satisfying my happiness, I thought that I do that once a year as my parent’s birthday. I spend my money for satisfying their needs and I thought that is my reason for purchasing also”

From the statement above, it related to the research of Sirgy (1998). People serve their desires or fulfill it with purchasing. Some people may think that they are compulsive buying with considering before buying but to improve their social status, sometimes, it brings them to impulse buying stage as the passion of material desires. People use their different kind of materials serve their different of objectives in their life. As the result showing from the interviews, people thought that the good promotion or discount rate help them reach their material desires faster. The credit cards can give them convenience and more opportunity to purchase what they wants while good promotions or discount rate stimulate their purchasing decision than usual.

#### **4.2.3 Self-Esteem**

From the interviews, not many people consider that purchasing expensive things could help them look successful but it helps them feel confident about themselves. To buying an expensive thing, credit card offers them more opportunity to purchase products at high prices because of it is no need to pay upfront. By possessing an expensive thing, it amendment their self-confident on other people though and the



relationship with other people. If their desires can fulfill, their self-confident will also increase. The respondents are shared their experience as follows;

“At my workplace, most of my colleagues are using a different kind of luxury bags. It is not because of we have a sense of luxury favorable but it is one objective of our job. As we are logistic sales, we have to visit a different kind of people. Some of them are CEO of the big company, luxury hotels and etc. I think that we need to prove our appearance for the first impression for them. I have been got one complaint since I started my work at first time about my appearance. From that time, I try to find something that is good looking or expensive to make me more confident. This is one reason why I registered for credit cards and often use them for purchasing. It gives me the different kind of discount which saves some of my money on paying the full price”

“I do not think that expensive things considered as the criteria of successful in my life. It is not the key of successful even if you have money enough for purchase that things. One of my university’ friends always using brand name stuff and showing on his online channel. The first time, I thought that he was successful in his life with a good job and a lot of money but finally, he has a mountain of debt of his luxury stuff. He just would like to climb up to get higher social status without any consideration of his resources. That is why it make me think that expensive thing does not mean that your life is fulfilled or successful”

“I am fat. I feel like my body make me feel less confident when I go outside my home. I feel like everyone point up on me when I walk around the department stores. Then, I decided that I should make up myself to be looking good in other people’s eyes even if my body is bigger than them. I bought a lot of cosmetic

and brand name apparel to fulfill my confident. When I wore those brand name apparel and using brand name cosmetic. I feel like I am the one girl that have the same kind of young adult women. It makes me feel more confident when I walk into the department store and maybe, it is the reason why I do not want to lose my weight”

“I thought that purchasing expensive things is not a good reason to make me confident. In contrast, I feel unconfident when I am carrying it. I feel like carrying brand name bags or using brand name things make me feel unsafe to carry. When many people look at my brand name bag, it looks like they try to find that it is the authentic product or fake product. Some people look at my bag very long time even I already walk pass them. I could not guess that they just want to know or they are a robber”

These statement of finding supported the research of Pettit and Sivanathan (2011) that the lower level of self-esteem people will tend to buy more luxury thing than people in a higher level stage. They tend to buy for fulfilling their self-concept or self-confident as they need expensive things identify their lifestyle. By the supporting research of Pascarella and Terenzini (1991), some of the people determine their self-worth by relationship and how other people look at them. If they cannot fulfill their confident means that they cannot fulfill their self-worth. It is also show that self-esteem does not the important factor that make people would like to purchase thing through credit cards. Most of the respondents purchase for fulfill their self-confident of their life but not for successful.

#### **4.2.4 Rewards Programs**

From the interviews, most of them shared their experience about rewards programs that have been playing significantly affect to their decision when they make

purchasing decisions. The 9 out of 15 respondents provided that rewards programs help them make their decision for purchasing faster. The rewards programs such as discount or point accumulation for benefits encourage them often use their credit cards for purchasing. The different type of the rewards programs effects to their different level of satisfaction. The experience is shared as follows;

“I usually used the credit cards for every of my purchasing if it is available because of I would like to collect the purchasing point for good redemption. I mostly redeemed for hotel or discount on airline tickets. Sometimes, the credit cards serve me the discount of buying something that expensive. I do not have to carry a large amount of money for purchasing as sometimes shopping occurred instantly. The benefits such as discount and point redemption make me made the purchasing decision through credit cards faster without any deep consideration to use it”

“I always purchasing for restaurants through the credit card because of it provides me a discount for that meal as the cash payment do. I do not have to worry that my money will not be enough for paying when I am dating with my girlfriend”

“When I have a plan of purchasing things, I also list the brands that I would like to purchase on my head. After I observed in the stores, if I saw that another brand give me more discount on credit, I would buy it promptly with those discount. I think that it is the most attractive programs for the cardholders because of it gives the benefits at that time with no need to collection point”

“For me, the parking lot in the department store is one of the main criteria for me to select the card issuers for the register. I always annoy when I could not find the parking space. While I can see some area of parking with good location but it always owns by possess of cardholders of credit issuers. This makes me feel like I lost opportunity”

In contrast, the rewards programs currently do not support people or stimulate them to use the credit cards more often. The benefits of rewards programs have been provided in wide range lead to satisfying consumers but it also makes their perception complicated. Many benefits programs refer to many criteria and conditions that customers need to be recognized before using it. The respondents have been provided their experiences as below;

“I thought that the rewards programs do not affect me to make purchasing decision via the credit cards faster. The benefits provided from the credit cards sometimes complicated process when I need to use it. Also, the benefits on the credit cards could not respond to my needs as well as point redemption that I have not been reaching their minimum of redemption or discount rate that did not cover to products that I want. So, the rewards programs do not associate with my purchasing as much. I decided to use credit cards is just because it is convenience”

“Most of the current rewards programs could not respond to my need as well. Last year, I mostly use the credit cards for every spending for keep point redemption but finally I did not redeem it. The benefits of redemption of the providers are inconsistency. It changes over time without any updating from them. The other benefits that they offered also do not fit with my needs. So, I lose all my point without getting any benefits from them that is why I decided to consider before selecting payment methods”

From the interview finding, it related to the research of Agarwal, Chakravorti, and Lunn (2010) that rewards programs give a different kind of satisfaction to the card holders. The attractiveness of the rewards programs always incentive the cardholder's spending through the credit card. Thus, to build up more variety programs as both monetary and non-monetary programs always worse money

for credit issuers as it has a lot of investment there without any effective result confirmed.

So, this research aims to demonstrate the key influencing factors that affect the consumer purchasing behaviors in order to what are their motivation to make them use the credit card for their purchasing besides the functional benefits. The total primary purchasing behaviors were observed and defined the significance of each as showing. The interviews results have been provided for described the relationship between key influencing factors of rewards programs and purchasing behaviors. The research interviews reported the importance of rewards programs that play significantly effect on purchasing behaviors as following;

- (1) Aspect of the rewards programs has significant effect on the purchasing decisions especially money rewards,
- (2) Impulse buying will have the most powerful effect when they are seeing the rewards programs. It encouraged their decided to make impulse purchasing than usual,
- (3) Materialism as people purchase things to serve their pleasurable. The higher value of materials refers to the higher value of satisfaction. In order to just purchase cash and received goods, credit cards provided more benefits to them redeemed purchasing points of their purchasing for more benefits.

As the result shows the order of purchasing behavior through the variety of aspects, it demonstrates that the external factor as the rewards programs were significant factors that influenced internal factors as impulse buying or materialism. The rewards programs that most of the respondents mention to is the money rewards programs that they can see up front as a discount rate and cash back. The discount rate stimulates the internal desires of people as impulse buying, materialism, and self-esteem to purchase things fulfill it. The impulse buying was the most affected by the



rewards programs. People purchase things out of their list because of them see the discount rate or promotions. Then, the desire of purchasing that thing occurred immediately to make them purchase.

In conclusion, the research implied that people use their credit card as their purchasing choice because of convenience and safe in order of avoiding carrying a lot of money. The credit card also supports them to pay things that they want without paining of paying on cash. Most of the using purpose shows for the shopping purpose and restaurant purpose. The reason for shopping and restaurant purchasing through credit card is that the promotion that provides for them. It makes them decided to use the credit card on their purchasing immediately without any consideration on cash. So, the rewards programs as money programs (discount rate) are the most effective programs that make customers decide to use credit cards more often than other payment types. In contrast, the non-money rewards programs as point redemption or cash back are not the primary consideration for consumers to select payment types.

The research founded that the non-money programs could not make the customers feel that they get benefits from the credit issuers as it takes time to see how the benefits will be. It makes them need to consider every time of selecting payment types which do not come up with credit card choice in finally. Furthermore, the non-money rewards programs make them feel complicated as they have to check their point and spent more and more for collect it. So, it is not confirmed that they can get those benefits as they want. Finally, the result of research shows that consumer awareness on credit cards do not strong enough to growth in long-term for Credit Cards Company. Most of the respondents have a high tendency to switching their payment function to other payment types and other credit issuers that provide



attractive benefits and convenience for them. Thus, the research found that cardholders do not rely on the variety functions of rewards programs. They just rely on how effective of rewards programs that they get from credit cards rather than the other payment types. So, to strengthen the monetary programs as cashback and discount rate by providing more privileges and create competitive advantages for itself would be better to attract more customers to use a credit card. Therefore, to reconstruct the non-monetary programs as point redemption still be required to make customers see more benefits of it.



## **CHAPTER V**

### **DISCUSSION**

#### **5.1 Research Implication**

The research studied the purchasing behavior under the influence of rewards programs of Thai consumers. By the increasing number of credit issuers on both financial sector and non-financial sectors, it makes the credit card business has intensive competition. Most of the credit issuers move back to save their existing customers as stimulate their spending through the credit cards in order to put more effort on competing. The more of the customer purchasing, the more of revenue that the company will get. Currently, the rewards programs are the most popular method to stimulate the customer purchasing via credit cards by served variety of benefits such as cash back, point redemption and discount upfront. Most of the credit issuers are doing the same way to encourage their customers to use the credit card spending. More functional and emotional benefits provided to the customers to incentive they use their credit cards and compete against the competitors. That investment of incentive also caused a lot of costs to do while the company does not know how effective on purchasing decision of the consumers. In addition, to see how effective of the rewards programs on purchasing decision. The company should understand what motivate them to use their credit cards and how the effective of rewards programs reflect those purchasing decisions. So, there are two research objectives that established to conduct the research as studying cardholders purchasing behaviors under the influence of credit benefits and how effective of rewards programs through the factors that influencing purchasing decisions.

The study used the psychology factors as a way of explaining the purchasing behaviors of cardholders. The factors that used to explain suggest the usefulness conduct the research along with external factors which influence the decision of purchasing under the incentive programs. From the research finding, it benefits to the credit business and cardholders. The result of purchasing decision through credit card reflect on customer aspects on the rewards programs and how effective of those programs make them decided to use the credit card for their purchasing purpose. The cardholders who decided to use the credit cards more than 1 years were mainly observed and defined the significance of each. The semi-structured interviews performed to describe the relationship between purchasing decision factors involved and explain the effective of rewards programs.

The research interviews reported the most powerful factors that influence the purchasing decisions of cardholders is the external factors as the rewards programs. The sub-category of rewards programs that the result mention is the discount rate with all relative business. It stimulates the consumer desires to use credit cards more than other payment methods that does not provide as above. When comparing the discount rate with other rewards programs such as cash back and point redemption, it shows that is not powerful to make them decide to use credit cards for purchasing because they could not see the benefits upfront. Also, the external factors as discount rate effect to the main criteria to stimulate the internal desires of consumer needs. It reported that the discount rate always effects to the impulse buying of consumers. To buy thing out of their list, it affected from the external factors as discount rate from credit issuers which just holding cash could not offer. The promotion of discount rate that they see up front on the counter or restaurant reflect to their decided on purchasing decision. It makes them tend to use the credit card more than other payment types.

## 5.2 Recommendations

The research implication for this study for firms issuing credit cards in Thailand. One implication that can monitor from the result of the study is that attitude towards the credit cards does not strongly positive between credit cards and social status. It means that the customers identify the credit cards as a choice of payment not implicated to the main one like cash. The evidence from the research shows that consumers use the credit cards for convenience rather than other reasons. They will purchase the credit cards when they could catch up visual benefits or purchase over their budget. It mentions that credit cards company need to develop their position in Thai society in order to become stronger in the long term. Therefore, the company should find the way to make consumers feel that using the credit card is useful for them as for making their shopping list more affordable to purchase or increase their safety of holding a lot of cash. The manager could set the campaign to promote how useful of the credit cards which can help to increase awareness of non-cardholders. In order to make it more attractiveness, they could compare between the cardholders and non-cardholders to attractive more benefits of holding it. To build up the awareness of holding credit cards could support the company to grow in long term against the intensive competing currently.

In the other hand, companies also should focus more on money rewards programs as discount and promotions rather than non-monetary programs as point redemption or cash back as the result of marketing techniques. By knowing the purchasing behaviors of cardholders, the company can set up the new monetary rewards that offering more values than any existing credit cards in the market. The more of value attractive in customer perception, the more company will increase their

purchasing. Also, the companies can promote the benefits of credit cards including with those benefits offer by emphasizes how differentiation that the cardholders of the company will get comparing with other offered in the markets.

In conclusion, to grow up in long-term stage. The company should consider how effective of programs offered to the cardholders beside the awareness on credit benefit that the cardholders perceptions. Because of every program or offered by the company always caused to a lot of budget spending. So, to understanding the awareness of purchasing behavior and how effective of rewards programs on that factor will benefit the company to save costs and times while gain the brand's awareness on credit market.

### **5.3 Limitations of the study**

The research study was designed to gather data from interviewing people who people who use the credit cards at least one year in Bangkok, Ubon Ratchathani, Khon Khan and Chonburi. The in-depth interview from people in this four province in Thailand could not reflect the whole population and consumer behaviors of Thai people. Thus, the psychological factors that have been used in this research may not identify the consumer behaviors accurately while the research may left some attributes that is influencing people use the credit cards.

Furthermore, the respondents for in-depth interviews were selected by convenience sampling method which giving the convenience benefit to both respondents and interviewers. This group of the respondents might not be the target group of the cardholders or credit consumers. So, a sufficient outcome should explore from this study if more respondents were allowed to participate in.



## 5.4 Recommendations for Future Research

This research study is focused on the purchasing behavior under the influence of rewards programs. As a recommendation for future research, a qualitative method of satisfaction study of rewards programs would allow deeper understanding of consumer purchasing decisions through the credit cards for the reason why rewards programs are the most effectiveness to stimulate the customer spending. Another recommendation is a study of customer perception towards overall service quality of the various credit issuers in Thailand. This study could determine the competitive advantage of each company to competing against the intensive competition and to keep inspired of spending through credit cards under the increasing of various payment methods.

In addition, to access to the most of population or target group in Thailand, the future research should provide the quantitative research with systematic sampling method. It would allow the outcome most sufficiency and access to the right users of credit.



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**APPENDIX A**

## 1. Interview Guideline

**Introduction:** This question is a part of Master of Marketing and Management project at College of Management, Mahidol University. The research aims to find out the purchasing behavior on credit cards under the influence of rewards programs by focusing psychological factors; as well as to find how effective of rewards programs influencing consumer purchasing decisions.

**Length of interviews:** 15 - 30 minute approximately

### Interview guide questions

- 1) Comparing between cash payment and credit payment, which one do you prefer to use the most frequently? And why?
- 2) What is your reason to register for credit card?
- 3) What is your consideration when choosing the credit issuers?
- 4) What is your advantage of holding credit card?
- 5) How frequently do you use your credit card per one week?
- 6) What is your decision reason to purchase things through credit card? And what are the relevance factors?
  - 6.1) Impulse buying
  - 6.2) Materialism
  - 6.3) Self-esteem
  - 6.4) Rewards programs
- 7) What kind of product that you often purchase through credit card? How often to purchase it?
- 8) How frequently have you purchased a planned item and an unplanned, related item at the same time?



- 9) When you would like to buy expensive thing (over THB 5,000) out of your list, how would you pay it (credit or cash)? And why?
- 10) Have you been purchase expensive things through credit card? (over THB 5,000) and which product will you mostly pay for it? And why?
- 11) Have you been purchase material thing to make you feel pleasure? And what is it?
- 12) Do you think that holding the credit card suppose you to purchase more luxury things? And why?
- 13) When decide to purchase via credit card, does the reward programs have an effect on your decision?
- 14) Have you been received the information of rewards programs from your card issuers?
- 15) What is the most attractive programs after you see it?
- 16) Is it attractive you to make your purchasing by using that credit card?
- 17) How many time of your purchasing decision after seeing reward programs on credit cards? (cash back, credit discount, redeem point and etc)
- 18) Do the rewards programs on credit card help you make your purchasing decision faster? How would it effect to your decision?
- 19) If there is no rewards programs of credit card, do you still purchasing through it?  
And why?
- 20) If the card issuers would like to develop rewards programs, what would you recommend them to do?