

THE MARKETING OF STORE CREDIT CARDS TO COLLEGE-AGED STUDENTS

by  
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## **Abstract**

This study explores college students' use of store credit cards. Marketing mediums used to advertise store credit cards are identified. Some other findings of this research include store credit card ownership, store credit card debt of participants, and the reasoning behind opening store credit cards. The level of regret associated with opening a store credit card and interest in learning more about the risks and benefits of these marketing tools are two other items identified in this study.

Data was collected via an e-mailed survey sent out to students at East Carolina University. The survey was optional and contained eight demographic questions and eleven questions surrounding personal store credit card utilization. The survey was anonymous. The results of the survey showed that many college students do not, in fact, own store credit cards currently. Those that do own store credit cards, for the most part, have not acquired large amounts of regret nor debt as a result. Many research participants, however, are not fully aware of the positive and negative impacts that obtaining store credit cards can have, though store credit cards are being actively marketed to them via many mediums. Due to this information, it is not difficult to conclude that more education regarding store credit cards is needed.

## **Introduction**

There is a general assumption that college students do not appropriately use credit cards- of any sort. This study examines the level of responsibility that college students have when it comes to store credit cards, specifically, based off the number of cards they own and the associated debt. Further, the correlation between mediums of store credit card advertising with the number of store credit cards owned and the amount of credit card debt collected is reflected in the results of this study.

The thought behind this study was to determine which advertising mediums (ex. television, online, in-store, social media) are most successful in convincing students to sign up for a store credit card. Another hope was to identify if there is a need for further education about store credit cards. There are a number of potential benefits and risks associated with owning store credit cards, many of which are illustrated in the background and results of this project.

### **Background**

Studies show that many college students own credit cards, a popular form of financial product. In the United States, approximately 76 percent of college students have at least one credit card (Trowbridge, 2006). When the cost of paying off one or more credit cards is paired with the often overwhelming expenses that accompany college, it is quite simple to comprehend how 8.7 percent of those who file for bankruptcy in the United States are individuals under the age of 25 (Austin & Phillips, 2001). With such a large number of college students owning credit cards, it is of the upmost importance that the obligations tied to the ownership of credit cards are understood.

According to an exploratory study of incoming freshmen conducted by Joyce Jones, many individuals acquire debt before entering college (Jones, 2006). 34 percent of college students had at least one credit card before they even entered college (Austin & Phillips, 2001) and 51 percent had some form of debt as a result (Jones, 2006). Jones found that many students in her study had minimal credit knowledge. Her findings suggest that credit education may be needed to help college students make informed decisions and to secure future financial security (Jones, 2006). Since the 2009 Credit CARD Act was passed, the number of credit cards held and the amount of credit card debt have decreased. However, students continue to report difficulty managing store credit cards. As a result, high levels of debt amongst students are still present.

This debt has been linked to students' year in school, a weak capacity to delay gratification, and lower levels of perceived financial well-being (Norvilitis, Merwin, Osberg, Roehling, Young, & Kamas, 2014).

The results of a study conducted by *The Journal of Services Marketing* found that 16 percent of college students owe at least \$2,001 in debt and, what is even more alarming, 13.3 percent of college students have collected credit card debt totaling more than \$10,000 (Austin & Phillips, 2001). On average, undergraduate students carry an unpaid balance of approximately \$2,169 (Trowbridge, 2006). When it comes to debts in general, amongst students with and without credit cards, college students carry an average of \$1,035 (Norvilitis, 2006). Without the proper training or understanding of how to make appropriate use of financial products, such as credit cards, many college students could very rapidly find themselves over their head in debt due to the misuse of credit cards.

### **Purpose Statement**

The primary information I seek to gain from my project is an understanding of how store credit cards are being actively marketed to students at ECU and the impact of owning one or more store credit cards as a college student. Through this study, knowledge can be gained regarding how college students are responding to those marketing efforts. Learning how aware college students are of the positive and negative impacts that financial products can have on them is another key goal of my research.

### **Participants**

Data was collected from 139 participants. All participants were students attending East Carolina University. Students ranged in age from 18 to 21, with only one participant being in the age range of '22 or over'. The majority, 45.19 percent of participants, were 18 years old. Most

participants, 42.22 percent, were freshmen and all but one participant took the majority of their courses on-campus. 21.48 percent of participants were male and 77.78 percent of participants were female. The majority of participants were White (85.93 percent) with 4.44 percent of participants being Asian or Pacific Islander and 3.7 percent of participants being Black or African American. These three ethnicities accounted for about 94 percent of survey participants. 42.93 percent of study participants were employed and 56.3 percent unemployed. Employed students worked between 1 and over 40 hours each week. Only one participant worked over 41 hours per week. The most common number of hours that each participant worked was 11-20 hours per week.

### **Methods**

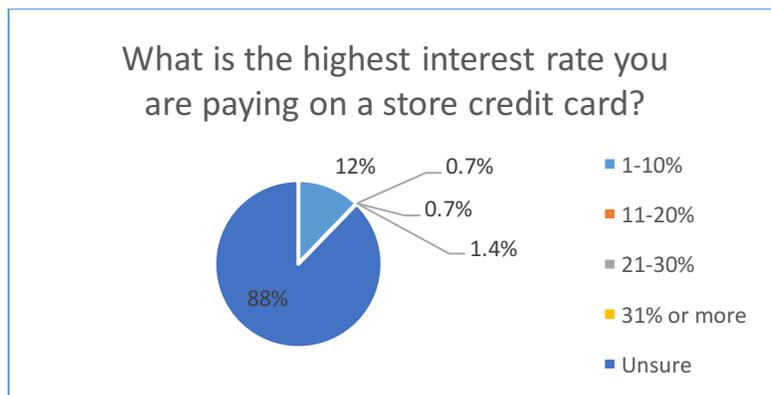
My survey was sent out to a total of about 750 individuals at East Carolina University on October 1<sup>st</sup>, 2018 via e-mail. The bulk of these survey links, about 700, were sent to individuals in the East Carolina University Honors College. The remaining 50 were distributed to members of the Club Sports program at East Carolina University. The survey stayed open until October 20<sup>th</sup>, 2018. Responses were gained from 139 participants in total. The survey included eight demographic questions and eleven questions about the participants' store credit card use. Participants were not compensated monetarily or otherwise for their involvement in the study.

### **Results**

Most survey participants do not, in fact, have store credit cards. 97 participants (82.2 percent) selected that they did not own any, while 20 participants (16.9 percent) owned between one and three store credit cards. One survey respondent was unsure if they currently owned any store credit cards. Of the students that did own store credit cards, the highest interest rate being paid on these was 31 percent or more and by one respondent. Two respondents have interest

rates in the 21-30 percent range, one respondent in the 11-20 percent range, and 12 in the 1-10 percent range. Store credit card interest rates are at an all time high. With the most popular interest rates amongst students being in the 1-10 percent range, there is a possibility that some respondents are confusing store credit cards with common credit cards. In 2016, the average store credit card charges a 23.8 percent interest rate (Close, 2016). 86 individuals (61.9 percent) were unsure of the highest interest rate they are paying for a store credit card. These interest rate responses can be seen in Graph 1.

**Graph 1**



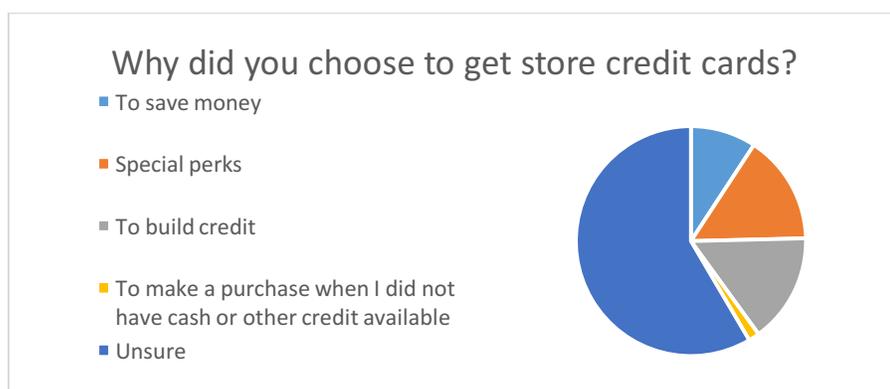
All 139 respondents had seen store credit cards advertised. The most popular selection for where store credit card advertisements had been viewed by participants was in-store. 110 participants had witnessed in-store credit card advertisement. Online advertisements for store credit cards were seen by 90 participants. Other mediums in which store credit card advertisements were viewed included on television (57 respondents) and on social media (55 respondents).

A large number of survey participants reported having no debt at all due to store credit cards- 95.69 percent. Two participants, or 1.72 percent, reported between \$1 and \$499 in debt. 2.59 percent, or three participants, were unsure of their accumulated store credit card debt. Based off these numbers, it is not surprising that 84.16 percent of students have no regret associated

with their current number of store credit cards. Two students have ‘some’ regret associated with their store credit cards and another two have ‘a lot’ of regret. Some responses to the question of specific regrets included ‘interest and bills,’ ‘they have awful interest rates and kill young adults,’ and ‘interest.’ Needless to say, interest is the common reason for regret associated with owning store credit cards.

The reasons for getting store credit cards varied, as reflected in Graph 2. Six participants reported getting these to save money, while 10 got them for special perks that accompanied the cards. Another 10 store credit card owners got their cards as a means to build credit and one participant reported getting their card to make a purchase when they did not have cash or other credit available to make a purchase. Most survey participants, 50.44 percent, do not have future plans to obtain store credit cards in the next five years, while 24.78 percent do have plans to do so. Another 24.78 percent, or 28 individuals, are unsure of their plans to obtain store credit cards going forward. Only four students reported plans to cancel store credit cards that they currently own.

**Graph 2**



The last survey question: ‘Would you be interested in attending a seminar on the pros and cons of owning store credit cards?’ gained an interesting response. 57.02 percent (65) of

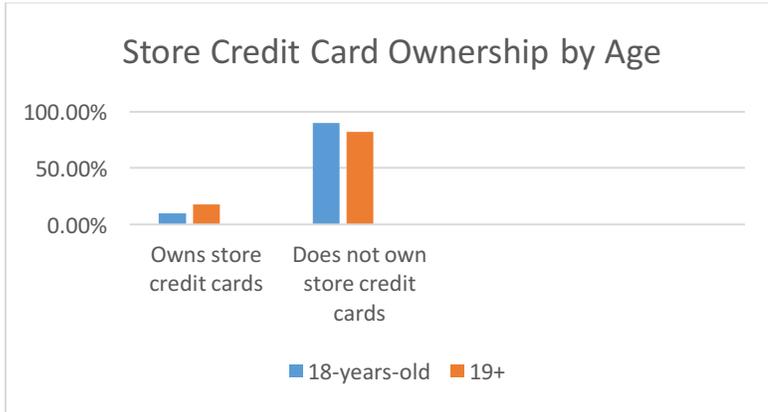
participants said ‘no’ and 28.07 percent (32) said ‘yes.’ 14.91 percent (17) of participants were unsure of whether or not they would be interested in attending a seminar.

### **Conclusion**

Potentially due to a slight lack of diversity amongst survey participants, survey results certainly reflected a number of trends. Nearly half of participants were 18 years old and freshmen. Results may have greatly differed if participants erred on the older side of traditional college age. Similarly, questions that were specific to individuals who *do* presently own store credit cards would have had more accurate numbers if more than 18 percent of respondents actually owned store credit cards. In addition, the majority of respondents were female. This, too, may have had a bearing on results.

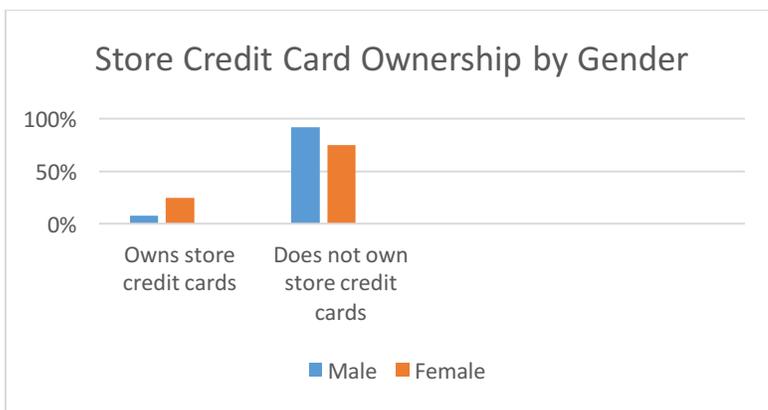
When data is grouped based off whether a participant was 18 years old or not (freshmen), results are reflected differently, as seen in Graph 3. Of 18-year-old respondents, six of 61 (9.8 percent) owned store credit cards and one (1.6 percent) reported being aware of debts acquired as a result. 18-year-old respondents saw store credit cards advertised most in-store. When we look at all other respondent ages (19+), 14 of 78 (17.9 percent) owned store credit cards and one (1.3 percent) reported being aware of debts acquired as a result. Respondents older than 18 primarily saw store credit cards advertised in-store. This data suggests that ownership of store credit cards does increase with age, but debts, or at least awareness of debts, do not. Age does not appear to be a factor in store credit card advertising or advertising awareness.

**Graph 3**



When data is grouped based on gender, results also vary. Of those identifying as male, two of 25 (8 percent) owned store credit cards and none reported being aware of debts acquired as a result. Male respondents most commonly reported seeing store credit cards advertised online and in-store. 18 of 73 (24.7 percent) female respondents owned store credit cards and two (2.7 percent) reported being aware of debts acquired as a result. Females, like males, most commonly reported seeing store credit cards advertised online and in-store. These data groupings lead to the understanding that more females than males own store credit cards, as seen in Graph 4. The data does not necessarily suggest a higher debt trend in one gender over another. Gender does not appear to be a factor in store credit card advertising or advertising awareness.

**Graph 4**



Of the 139 survey participants, 103 were white and 36 were members of a number of minority groups. Survey results of white, or Caucasian, participants varied some from minority groups. 18 of 103 (17.5 percent) Caucasian participants owned store credit cards while two of 36 (5.6 percent) minority members owned them. Two Caucasian respondents had debts they were aware of, while no minority survey respondents were aware of any debts. White and minority survey participants saw store credit cards advertised most commonly in-store, with online advertisements being the second most common. The greatest variance in the responses of Caucasian and minority appeared in store credit card ownership, but no significant differences existed in other areas.

In comparing employed to unemployed students, the most prevalent difference exists in the number of individuals that own store credit cards. Employed students made up 38.1 percent of the responses and unemployed students accounted for 61.9 percent of participants. 21.1 percent of freshmen were employed, which is relatively low compared to respondents as a whole. 12 of 53 (22.6 percent) employed individuals owned store credit cards and eight of 65 (12.3 percent) unemployed individuals owned them. Only one employed individual had debts they were knowledgeable, as did one unemployed individual. Both groups of respondents had seen store credit card advertisements in-store most often and online second most often.

Based off survey results, it appears that respondents are relatively aware of store credit cards, along with the positive and negative impacts they can have. Seeing as few store credit cards are owned by respondents, a possible conclusion of this data is that respondents are wary of the poor outcomes that owning a store credit card can yield. They may not want to put themselves at risk of collecting interest or accumulating debt. Of those that reported owning store credit cards, over half (60 percent) have cards with quite low interest, in the 1-10 percent

range, while only one survey participant reported having one or more cards with high interest, in the 31 percent or higher range. This supports the idea that respondents do not want to risk accumulating debts due to high interest on store credit card purchases.

Respondents further support the idea of awareness of the debt potential associated with store credit cards through their responses to the amount of debt they have at present. The majority of students, 95.69 percent, have zero store credit card debt. Two reported a small amount of debt- \$1-\$499, and three students are unsure of their debt. This low amount of accumulated debt is promising. Mirroring these numbers is the level of regret reported by respondents regarding their current store credit cards. Most, 84.16 percent, reported zero regret. Four respondents total reported either 'some' regret or 'a lot' of regret in association with their store credit cards. Those that shared their reasons for regret all had reasons related to interest accumulation, unsurprisingly.

While it seems that respondents understand the negative implications of owning a store credit card, many also appear to comprehend the positive potential that these cards possess. The two most popular reasons for owning a store credit card were for the purpose of obtaining special perks and building credit. However, 40.86 percent stated that they were 'unsure' of their reasoning behind getting a store credit card. This points to a need for more education opportunities on store credit cards, especially since 24.78 percent of respondents are simply 'unsure' if they will obtain store credit cards in the future.

Though numbers were not entirely high regarding a desire to attend a seminar on the pros and cons of owning store credit cards, it would provide students with the tools they need to make educated future decisions. 100 percent of participants have seen some form of advertisement for store credit cards. All predicted mediums of advertisement- television, online, in-store, and social

media yielded high numbers of participant advertisement knowledge and experiences. Given these numbers, there is a great need for students to be knowledgeable on the potential outcomes of owning store credit cards in order to avoid being coerced into acquiring one and being unprepared to properly utilize it.

If this research were to be conducted again in the future, it would be interesting to look at a different (possibly older) age group. For example, I would like to submit the survey to only undergraduate seniors. It may also be a good idea to disperse the survey to only graduate-level students. I feel that, if respondents were older, results would vary greatly. More survey participants would likely own store credit cards and therefore have more insights to share regarding the marketing they've experienced regarding these products, in addition to the interest rates and debt they have.

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## Survey Questions

Demographics:

What is your age?

- A. 18
- B. 19
- C. 20
- D. 21
- E. 22 or over

What is your sex?

- A. Male
- B. Female
- C. Prefer not to say

What is your ethnicity?

- A. White
- B. Hispanic or Latino
- C. Black or African American
- D. Native American or American Indian
- E. Asian/Pacific Islander
- F. Prefer not to say
- G. Other \_\_\_\_\_

Are you currently employed?

- A. Yes
- B. No

C. Prefer not to say

Approximately how many hours per week do you work?

A. 0 hours

B. 1-10 hours

C. 11-20 hours

D. 21-30 hours

E. 31-40 hours

F. 41 or more hours

What is your class rank?

A. Freshman

B. Sophomore

C. Junior

D. Senior

E. Graduate

Do you take the majority of your classes on-campus or online?

A. On-campus

B. Online

What is your current or intended major?

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Question 1: How many store credit cards do you currently own? (Some examples include Amazon Prime Rewards, Target REDcard, and Victoria's Secret Angel Card.)

A. None

B. 1-3

- C. 4-6
- D. 7+
- E. Unsure

Question 2: What is the highest interest rate you are paying on a store credit card?

- A. 1-10%
- B. 11-20%
- C. 21-30%
- D. 31% or more
- E. Unsure

Question 3: Where have you seen store credit cards advertised? Please check all that apply.

- A. Television
- B. Online
- C. In-store
- D. Social media
- E. Other \_\_\_\_\_

Question 4: How much debt do you currently have due to store credit cards?

- A. None
- B. \$1-\$499
- C. \$500-\$1,499
- D. \$1,500-\$4,999
- E. \$5,000+
- F. Unsure

Question 5: Why did you choose to get store credit card(s)? Please check all that apply.

A. To save money

B. Special perks

C. To build credit

D. Unsure

E. Other \_\_\_\_\_

Question 6: What store credit cards do you currently have?

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Question 7: What level of regret do you associate with your current store credit cards?

A. None

B. Some

C. A lot

D. Unsure

Question 8: What specific regrets do you have in regard to obtaining or using a store credit card?

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Question 9: Do you have plans to obtain more store credit cards in the next five years?

A. Yes

B. No

C. Unsure

Question 10: Do you have plans to cancel any current store credit cards you may have?

A. Yes

B. No

C. Unsure

Question 11: Would you be interested in attending a seminar on the pros and cons of owning store credit cards?

A. Yes

B. No