

CHAPTER I

INTRODUCTION

1.1 Background of Study

Credit cards are now no longer regarded as a luxury item that can only be owned by the rich. Over time, the efficiency of these plastic cards has been able to attract millions of people to use it; even almost all segments of society have recognized this alternative transaction tool. The concept of the use of cards as a means of transaction was first introduced in the 1920s. Since then, the development of this transaction tool overspread more widely; and ultimately reached the peak in 1950 when it was introduced as payment instruments. The credit card history in Indonesia began in the 1980s, when *Bank Duta* started introducing these payment instruments to the public. Bank Duta, at that time in cooperation with *Visa International* and *Master Card* only targeted customers of the upper class, especially those who frequently travel abroad. This phenomenon was warmly welcome by Indonesians because the use of credit cards was more secure and efficient. The triumph of this “plastic money” in the history of credit cards in Indonesia began in 1988 when regulations relating to the banking sector were issued, particularly regarding credit card. Regulation which was better known as *Paket Desember (Pakdes)* in 1988 successfully fostered the growth of the credit card issuers (bank and nonbank) (<http://www.neraca.co.id>, retrieved on 10 July 2015).

The rapid and significant development of credit card was fostered and supported by bunch of benefits it offers. Credit card provides its customers with advantages that include flexibility of payment. Through credit card, consumers do not need to carry large amount of cash to pay a good, they are also able to “buy now, pay later” which means consumers can pay on credit/postpone the payment until the due date. Some credit card acquirers also provide their customers with benefits such as price discount, usually with some amount of minimum purchase, and other offers to attract or persuade them to do the payment using credit card. Generally, the choice of credit card as a payment mechanism is often accidental

and driven by simpler considerations like convenience (e.g. a credit card is always in one's wallet), acceptability (e.g. most retailers accept credit card), accessibility (e.g. there is no convenient automated teller machine to withdraw cash), and habit (e.g. rent is typically always paid by checks) (Soman, 2001).

Furthermore, nowadays, consumers' preferences and attitudes are shifting accordingly to their lifestyle, and it affects their purchasing behavior. Compared to decades ago, consumers nowadays are more likely to use credit cards as their method of payment due to its beneficial features, and thus lead to number of credit card issued increases each year. This phenomenon is indicated by the increase This is evident from the continued increase in the type of credit cards issued, the increasing number of customers, and a surge in the number of credit cards in circulation as well the value of transactions in the last ten years. In 2005, the number of credit cards circulated in Indonesia was 8.34 million cards, and in 2009 the number of credit cards circulated goes up to 13.41 million units. (<http://www.marketing.co.id>, retrieved on 10 July 2015).

According to recent statistical data from *Asosiasi Kartu Kredit Indonesia* (AKKI), number of credit card issued has increased to nearly 16.2 million units by May 2015 (more specifically presented in Table 1 below). This rapid growth is mainly attributed to features and benefits offered by credit card to its holders.

Table 1
Credit Card Growth in Indonesia

Year	Number of Credit Cards	Number of Transaction	Value of Transaction (million Rupiah)
2009	12,259,295	177,817,542	132,651,567
2010	13,574,673	194,675,233	158,687,057
2011	14,785,382	205,303,560	178,160,763
2012	14,817,168	217,956,183	197,558,986
2013	15,091,684	235,695,969	219,026,985
2014	16,043,347	250,543,218	250,177,517
Mei 2015	16,226,878	108,769,861	109,481,656

Note. Asosiasi Kartu Kredit Indonesia, May 2015

(<http://www.marketing.co.id>; <http://www.akki.or.id>, retrieved on 10 July 2015).

The significant growth indicates that the credit card is now increasingly popular as a substitute for cash and has even become part of the lifestyle of

modern society in Indonesia as well as in foreign countries. Instead of being triggered by the development of community lifestyle in big cities, growth of the credit card business is also supported by the diversity of programs offered by credit card issuers that fit the custom tastes and needs of customers which are increasingly varied. Today, various credit cards offer attractive features through a number of possible means such as printed media, electronic, on-line media, and even through SMS. However, those advantages of credit card then bring about various kinds of consumer behavior or motivation. Consumers' motivation to consume is changing from fulfilling needs into spending beyond their means and needs (Mittal, Huppertz, & Khare, 2008). These circumstances then impel compulsive buying behavior, which is excessive and repetitive purchasing, to emerge. Park and Burns (2005) found that compulsive buyers cannot control or hold the urges to buy. Some of them indicate an extreme purchasing behavior or so called compulsive buying. In simple words, compulsive buyers act on powerful, uncontrollable urges to buy (Yurchisin & Johnson, 2004).

According to a study by Black (1996), three to eight percent of the population is involved in compulsive buying and most of this group is female. Compulsive buying is characterized by excessive and repetitive purchasing behaviors to reduce or alleviate negative feelings (O'Guinn & Faber, 1989). The problem is that the consequences of compulsive buying are not limited to personal distress and bankruptcy; rather, its destructive effects are felt by a much larger circle of people, such as the buyer's family and even society at large (Christenson et al., 1994; McElroy, et. al. 1994; Schlosser, et. al, 1994).

Several studies have demonstrated that dreadful economic and emotional consequences could occur to compulsive buyers (O'Guinn & Faber 1989; Faber & O'Guinn 1992; Roberts 1998). Compulsive buyers repetitively buy things they do not need or of no use. Compulsive buyer also develop more reliance on credit cards (Roberts 1998). If the levels of debt load of normal and compulsive buyer populations are compared, it is found that a larger portion of take home pay of compulsive buyers goes to pay for debts each month. In extreme cases,

compulsive buyers cannot repress shopping temptations even when they are fully aware of the fact that they do not have enough money.

Studies found that compulsive buying can lead to negative emotions. It is common for compulsive buyers to develop feelings of shame or guilt after their purchase. More seriously, compulsive buyers develop the feeling of frustration: they find themselves unable to control their own behaviors (O'Guinn & Faber 1989). Compulsive buyers describe the inability to stop purchasing as extraordinarily frightening and impossible for others to fully understand. In addition, feelings of alienation, legal problems, and marital difficulties are thought to be consequences of compulsive buying (Rindfleisch, et al., 1997).

Some researches (O'Guinn & Faber, 1989; Park & Burns, 2005) have identified significant relationship between credit card use and compulsive buying. Furthermore, Feinberg (1986) found that consumers who are exposed to a credit card logo are more likely to purchase, decide to purchase more quickly and spend more than those who are exposed to the same products without the emergence of credit card logo. Another finding that indicates the relationship between compulsive buying behavior and credit card use was suggested by Schor (1998). The studies revealed that access to easy credit is one of the reasons of overspending. Based on those findings, it is necessary for this research to consider credit card as a moderating variable of Compulsive Buying Behavior.

Researchers have found that compared with other consumers, there are more compulsive buyers who are female than male (Black 1996; 2007). In addition, compulsive buyers tend to possess low self-esteem (Schmitz, 2005; Dittmar, 2005; Black 2007); a greater tendency to fantasize (O'Guinn & Faber, 1989a); greater levels of depression and higher levels of anxiety reactions and obsessions (Schmitz, 2005; Dittmar, 2005)

Several studies (Fogel & Schneider, 2011; Park & Burns, 2005) have discovered significant positive relationships between fashion orientations in both

impulsive and compulsive spenders. Impulsive spending happens spontaneously in response to in-store stimulus, whereas compulsive spending is an addictive form of compensatory consumption (Bayley & Nancarrow, 1998; Shoham & Brencic, 2003; Woodruffe, 1997).

Faber (1992) has suggested that the items purchased by compulsive buyers do not appear to be capricious or random. Several product categories evidence a higher frequency of purchase among compulsive buyers relative to others, results that parallel linkages supported in the research on compulsive buyers (Dittmar, Beattie, & Freise, 1998). Clothing, jewelry, makeup and collectibles with female compulsive buyers, and electronic equipment and collectibles with males have been examples of specific product categories of interest to compulsive buyers (Black, 2007). These items are often tied to self-esteem either through affecting how one looks or how one thinks of oneself (e.g., a fashion maven, an innovator, etc.). In addition, these items can facilitate positive interactions with sales personnel, which can aid in avoiding isolation and in increasing self-esteem (Faber et al., 1987).

Based on the data from Statistics Bureau of Indonesia (*Badan Pusat Statistik* or BPS) excerpted by the Ministry of Trade, the domestic market with the population reaching more than 237 million people (census in 2010), Indonesia is a potential market including for marketing fashion products. This is also supported by the people's purchasing power, which continues to improve and is reflected from the gross domestic product in 2012 reaching USD 3,562.6, an increase of 9.54% compared to 2011 at USD 3,498.2 (www.kemendag.go.id, retrieved September, 15 2015). Opportunities for this fashion industry market is growing due to the increasing number of middle class in Indonesia in the past few years. This may become one of the factors of the increase in people's fashion consumption, where the middle-class have begun to treat quality and branded fashion products as a need (Ministry of Trade and Industry- *Kementerian Perindustrian dan Perdagangan*, 2014).

Fashion in Indonesia is growing rapidly. This rapid development not only affects garment industry but also other fashion industries such as footwear, bags, accessories, and so on. Domestic transactions on fashion industry specifically for apparels or other garments and accessories such as bags, shoes, etc reach the number of Rp 300 billion in 2014. This phenomenon gets support from the increasing number of middle-class people in Indonesia, and it results positively on creative industries, especially fashion (www.swa.co.id, retrieved September 15, 2015)

Fashion is one influential industry for the development of creative industry in Indonesia. In 2013, out of 15 sectors in creative industries, fashion sector became the second major contributor to national PDB (product domestic bruto). In 2012, fashion industry contributed as much as Rp 181 trillion out of Rp 642 trillion from the total of 15 sectors in creative industry. In percentage, creative industry contributes up to seven percent to PDB. More specifically, fashion industry grew up to 6.4% in the previous year, higher compared to national economic growth which was 5.7%. Besides, fashion industry absorbs approximately 3.8 million of labors, out of 11.9 million that work for creative industry, and contributed as much as Rp 76 trillion to export sector. This phenomenon implies that fashion sector is really crucial for the development of creative industry, either domestically or globally. Moreover, the increasing number of middle-class people also becomes the trigger for rapid fashion industry development, because they are willing to pay more for fashion designs, especially for well-known brands (www.beritasatu.com, retrieved September 15, 2015)

Relating female fashion and compulsive buying behavior, this study focuses on “Charles & Keith” as the object of research. Charles & Keith is a popular Singapore brand known for women’s fashion: footwear and accessories, that has survived for decades. Established in 1996 by brothers Charles and Keith Wong, it started out as a simple shoe store at Amara Hotel. Charles & Keith is an international chain with over 170 franchises worldwide and is also a parent company for the luxury brand Pedro. The company has received several awards,

including the Excellent Service Award in 2002 and The Enterprise Award at the Singapore Business Awards 2008 (<http://eresources.nlb.gov.sg/>, retrieved 22 September 2015).

Charles & Keith is one of the prominent fashion brands that provides a wide range of designs and a complete set of fashion line, including shoes, bags, accessories and so forth. From customer feedback, Charles observed that merely selling shoes bought from wholesale suppliers did not provide a variety of designs and choices to customers. Seeing the potential for the brand to do well in global markets, Charles & Keith began expanding its business overseas in 2000. The uniqueness of its in-house designs and its affordable prices were important factors in the brand's appeal locally and internationally. To date, Charles & Keith owns more than 170 outlets in 22 countries including Japan, Cyprus, Brunei and Indonesia (<http://eresources.nlb.gov.sg/>, retrieved 22 September 2015). This show that Charles & Keith has a strong brand perspective.

Branding Perspective, one of contributive factors to Compulsive Buying Behavior, is based on Affluenza Theory of Compulsive Buying proposed by Workman & Paper (2010). Compulsive Buying Behavior is an uncontrollable and emotional addiction that is socially and externally induced, for instance through brands (Chinomona, 2013). Chinomona (2013) contends that the consumers' Brand Experience, Brand Trust, Brand Satisfaction and Brand Attachment induced by excessive marketing gimmicks and branding strategies consequently culminate in Consumer Compulsive Buying Behavior.

Furthermore, researchers have found that there are basic factors that strongly influence buyers to perform compulsive purchasing behavior. There are bunch of theories explaining Money Attitudes, one of them includes Money Attitude Scale (MAS) by Yamauchi and Templer (1982) that involve Power-Prestige, Distrust, and Anxiety.

Studies by Lin et. al. (2013) contends that Credit Card gives significant contribution to Compulsive Buying Behavior. The study figured out that consumers that tend to use credit card are more compulsive that consumers who tend to not use the credit card. The result is in line with the result of Pirog and Roberts (2007) and also Park and Burns (2005) that imply the relationship between the credit card use and credit card misuse toward compulsive buying behavior.

However, in the other hand, more recent studies conducted by some researchers suggest that credit card or attitude towards it does not always significantly correspond to Compulsive Buying Behavior. Khare (2013) found that consumers' attitude toward credit cards did not affect Compulsive Buying Behavior. Other recent studies conducted by Veludo, et. al. (2013), revealed that credit card usage was not found to play a significant role in moderating the relationship between Money Attitudes and Compulsive Buying Behavior. These findings make further research about the influence of Credit Card towards Compulsive Buying Behavior become more interesting to conduct.

Based on those theories and phenomenon explained, this research then aimed to gain the insights on compulsive buying behavior from either the internal contributing factors, which are measured by Money Attitudes that include Power-Prestige and Anxiety (Roberts & Jones, 2001); or from the external factors which deals with Branding Perspective that include Brand Experience, Brand Satisfaction, Brand Trust, and Brand Attachment (Chinomona, 2013).

1.2 Research Problems

According to the background of the study, the research problems are:

1. Does Brand Experience significantly influence Compulsive Buying Behavior?
2. Does Brand Satisfaction significantly influence Compulsive Buying Behavior?
3. Does Brand Trust significantly influence Compulsive Buying Behavior?

4. Does Brand Attachment significantly influence Compulsive Buying Behavior?
5. Does Power-Prestige significantly influence Compulsive Buying Behavior?
6. Does Anxiety significantly influence Compulsive Buying Behavior?
7. Does Branding Perspective (Brand Experience, Brand Satisfaction, Brand Trust, and Brand Attachment) significantly influence Compulsive Buying Behavior?
8. Do Money Attitudes (Power-Prestige and Anxiety) significantly influence Compulsive Buying Behavior?
9. Does Credit Card Usage significantly moderate the relationship between Power-Prestige and Compulsive Buying Behavior?
10. Does Credit Card Usage significantly moderate the relationship between Anxiety and Compulsive Buying Behavior?
11. Does Credit Card Usage significantly moderate customer's Money Attitudes (Power-Prestige and Anxiety) to perform Compulsive Buying Behavior?

1.3 Research Objectives

The objectives of this research are as follows:

1. To identify the influence of Brand Experience on Compulsive Buying Behavior.
2. To identify the influence of Brand Satisfaction on Compulsive Buying Behavior.
3. To identify the influence of Brand Trust on Compulsive Buying Behavior.
4. To identify the influence of Brand Attachment on Compulsive Buying Behavior.
5. To identify the influence of Power-Prestige on Compulsive Buying Behavior.
6. To identify the influence of Anxiety on Compulsive Buying Behavior.

7. To identify the influence of Branding Perspective (Brand Experience, Brand Satisfaction, Brand Trust, and Brand Attachment) on Compulsive Buying Behavior.
8. To identify the influence of Money Attitudes (Power-Prestige and Anxiety) on Compulsive Buying Behavior.
9. To identify the moderating effect of Credit Card Usage on the relationship between Power-Prestige and Compulsive Buying Behavior.
10. To identify the moderating effect of Credit Card on the relationship between Anxiety and Compulsive Buying Behavior.
11. To identify the moderating effect of credit card Usage on the relationship between Money Attitudes (Power-Prestige and Anxiety) on Compulsive Buying Behavior.

1.4 Research Contributions

This research is expected to be useful to the following related parties:

1. Charles & Keith

This research is expected to contribute to Charles & Keith particularly in terms of stimulating customers' Compulsive Buying Behavior through external factors included in Branding Perspective and internal factors included in Money Attitudes. The analysis and identification on such components will attribute to the understanding of Charles & Keith's customer behavior.

2. Future Researchers

This research serves as a reference for future researchers concerning topics related to Compulsive Buying Behavior, Money Attitudes, and Branding Perspective. The analysis of Money Attitudes variables and Branding Perspective variables presented in this study is expected to be useful to gain broader insight on related interest and concern.

3. The Author

This research is conducted to fulfill the requirement to obtain Bachelor's degree in International Business Management. Moreover, this research provides valuable information and insights about the influence of Money

Attitudes, Branding Perspective, and moderating effect of Credit Card Usage to Compulsive Buying Behavior, which has been currently going on phenomenon related to the topics of consumer behavior.

1.5 Research Limitations

This research focuses on Charles & Keith customers as the object of research. More specifically, this study restricts the sample of population on female customers with credit card and who domiciled in Surabaya. In this research, there are some variables used, namely: Compulsive Buying Behavior, Credit Card Usage, variables of Money Attitudes that include Power-Prestige and Anxiety, and variables of Branding Perspective that include Brand Experience, Brand Satisfaction, Brand Trust, and Brand Attachment. This research took place in Surabaya and held on August 2015 to October 2015.

1.6 Research Outline

Research outline explains the systematic writing of this study. The outline is divided into five chapters as follows:

Chapter I

This chapter sets up the research problems for the reader. It also provides the background information defining the issue and important terms. It specifies the research objectives explored in greater detail to contribute to understanding the research problem.

Chapter II

This chapter summarizes the major studies and findings that have been published on the research topic and how this study contributes or adds to what has already been studied. This chapter also states a clear description of theories that apply to the research problem, an explanation of why it is relevant, and how the modeling efforts address the hypotheses to be tested.

Chapter III

This chapter explains the detailed technical and scientific activities which include the research design, sampling plan, instrumentation, statistical tools, and treatment of data.

Chapter IV

This chapter organizes the logical presentation of all findings in the research questions, and focus on how these key findings relate back to the theory and prior researches presented in the beginning of the study.

Chapter V

This chapter outlines the implications, conclusions, and recommendation supposed to advance the study of the research topics by its theoretical, methodological, or substantive contributions that may be necessary to overcome the limitations of existing empirical facts.