


## Do you spend less or more during a sale?

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The logo for the Mega Sales event, featuring the words "mega sales" in a stylized font. The word "mega" is in a larger, bolder font than "sales". The logo is set against a white background with a thin black border.

It's the Malaysia Mega Sales again! You will see the sales signs everywhere when you visit to any shopping mall. The festival season is around the corner and this will definitely increase the sales.

Do you actually spend less or spend more during a sale? According to a newspaper report on 17<sup>th</sup> August 2010, the 2010 Mega Sales Carnival in Malaysia had achieved a 37% increase in Master Card usage. The total expenditures of Malaysian consumers on Master Card during the carnival are RM 213.4 million compared to RM 158 million last year, an increase of 34%. This figure does not included those who use others credit services as well as those who are paying cash.

Why do consumers increase their credit card usage? Apart from the fact that consumers are spending their future money, the strategy of the credit card companies also plays a significant role in promoting the credit card usage of the consumers during the sales period.

During mega sales period most of the shopping mall will be running contests to encourage consumers to spend more. Recently the Curve shopping mall offered mega sales contest where the grand prize is to win yourself a car. To participate in the contest, you must spend a minimum RM 50 on your credit card to entitle you to one entry, and if you are a Citibank card user, you are entitled to two entries. Those who pay cash, are not qualified to participate in the contest. This kind of activity will definitely promote the credit card usage among consumers. There is nothing wrong on using credit card as long as you can manage your card well. But are Malaysian managing their credit well?

According to a news report on 24<sup>th</sup> July, there were 38,357 youths between ages of 25 to 44 declared bankrupt in 65 months time up to last May. This means that 41 people were being declared bankrupt each day due to hire purchase loans, credit card debts and personal loans. Another statistic from Bank Negara states that out of the RM 24.4 billion credit card debt from the 10 million credit card users in the country, only 30% paid back full amount every month. Consumers are trapped in the credit card debt as they only pay the minimum payment of the monthly bill. These figures had showed that Malaysians especially the youth group is not managing their money well.

Government had taken the initiative to control the credit card usage among consumers by charging tax for each credit card that a person owns. This had made caused credit card users to reduce the number of credit cards they own. However, this might not be enough. Credit card institutions however are offering taxes waive from your credit card loyalty points, or by considering the amount of money that you spend per month. The tax charges don't seem to have the impact it is supposed to.

The minimum requirement for applying a credit card is above 21 years old and a salary of RM 1,500 per month. It is time to

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review the minimum salary for applying a credit card as inflation has made the limit very low as a result consumers cannot pay back what they spend on their card. The number of credit cards that can be owned by a person also should be limited. The requirement for credit card applicants should be restricted, only to those qualified to own a credit card. The marketing strategies of credit institutions also need to be monitored. Excessive roadshows and exclusive free gifts that are offered will definitely encourage more consumers to apply for more credit cards.

Most of the credit card institutions don't educate consumers on how to calculate the bill and what are the charges if they are not paying back on time or in full amount. The credit card issuers should explain to the consumers in simple terms the charges and how interests are computed upon their application.

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