

## Credit Cards Can Make You Fat

**To drop pounds** this winter, try paying for groceries with cash instead of plastic. New research suggests shoppers who swap legal tender for foodstuffs tend to buy less junk than those who simply sign for them.

One-third of Americans are obese and another third are merely fat, which has sent researchers in recent years looking for explanations. The long list of the accused includes saturated fat, refined carbohydrates, lazy school administrators, greedy restaurateurs, suburban sprawl and plain old gluttony. In a paper published recently in the *Journal of Consumer Research*, professors from Cornell and the State University of New York indict credit cards, too.

Studies as far back as 1979 and as recent as 2008 have shown that consumers who pay with cards tend to spend more than those who pay cash. One theory holds that parting with cash is a vivid enough action to elicit a type of psychological pain and that card transactions are too abstract to be painful. In recent years, researchers have also focused on the biological underpinnings of impulse purchases – the sensory glee that causes rational shoppers to buy things they might regret later.

Authors of the grocery study set out to look for and measure the link between unhealthy food purchases and payment methods. They began by collecting real-world shopping data from an unnamed store chain in the northeastern U.S. About 41% of shoppers in the sample used credit cards and another 9% used debit cards, and the rest paid cash. Two groups of students were asked to score food items on healthiness and on whether the items were typically bought on impulse; scores for the two were closely correlated, suggesting junk food items are often impulse purchases.

Examination of the grocery data showed that shoppers who paid with plastic spent far more and bought more junk and impulse items than customers who paid cash. As is sometimes the case with real-world data, however, establishing cause-and-effect was difficult. Were shoppers with big baskets simply more likely to toss in a pack of Twinkies, and to settle their large bills with plastic?

To learn more, the researchers conducted a test on students, who were told that a large retail chain was opening a store in town and wanted to understand what shoppers buy during a typical trip. Computer screens showed subjects 10 virtue items (e.g. Quaker oatmeal) and 10 vice items (e.g. Oreo cookies), and explained to half of them that the store accepted all major credit cards and to the other half that it accepted only cash. Credit-card shoppers ended up with about three vice items costing a total of \$14.07 in their virtual carts, but cash shoppers bought only two vice items and spent \$9.89 on them. Payment method had no effect on the number or dollar amount of virtue items.

"When cash is out of the wallet you physically see it go, whereas with credit cards there's more of a delay between purchase and payment, so cash buyers tend to stick to the essentials," says Richard Bialek, a former credit-card firm executive who advises industry members on marketing and product development.

Next, the researchers performed a similar experiment on consumers referred by a market research group, but this time they surveyed participants on their feelings. Card shoppers again spent far more on junk than cash shoppers, with no difference in spending on healthy food. Both groups reported paying attention to prices and being aware of the nutritional merits of the items they chose. Members of the cash group, however, found paying far more painful.

"When consumers encounter vice products — such as cookies, cakes, and pies — the emotive imagery and associated desire trigger impulsive purchase decisions," the authors write. "Pain of payment can curb the impulsive responses and thus reduce the purchase of such vice products."

In a final experiment, students were given the virtual shopping test and then were asked to fill out a questionnaire designed to identify them as tightwads or spendthrifts. For the spendthrifts, there was little difference between cash and plastic users on the amount spent on junk. Tightwads, however, spent \$12.80 on junk when they paid with credit cards and just \$5.60 when they paid cash

**MasterCard** (MA<sup>4</sup>) declined to comment on the study and neither **Visa** (V<sup>5</sup>) nor **American Express** (AXP<sup>6</sup>) responded to requests for comment.

SmartMoney's AnnaMaria Andriotis reported recently that shoppers are showing a renewed *preference for cash*<sup>7</sup>. If the trend continues, expect fatter savings accounts and slimmer waistlines.

<sup>1</sup><http://www.smartmoney.com/spending/budgeting/3-signs-cash-is-making-a-comeback/>

<sup>2</sup><http://www.smartmoney.com/personal-finance/employment/why-companies-keep-pay-a-secret/>

<sup>3</sup><http://www.smartmoney.com/investing/economy/has-islamic-banking-outgrown-islam/>

<sup>4</sup><http://www.smartmoney.com/quote/MA/>

<sup>5</sup><http://www.smartmoney.com/quote/V/>

<sup>6</sup><http://www.smartmoney.com/quote/AXP/>

<sup>7</sup><http://www.smartmoney.com/spending/budgeting/3-signs-cash-is-making-a-comeback/>

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