

NBPCA White Paper:

Consumer Attitudes Towards Payroll and General Purpose Reloadable Prepaid Cards

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During May 2007, Kupersmit Research, on behalf of the NBPCA, initiated online interviews with 600 consumers nationwide. The purpose of the survey was to create statistically reliable results related to consumer attitudes towards payroll and general purpose reloadable prepaid cards—two prepaid applications widely regarded as having significant potential for consumer acceptance and growth.

Survey respondents were screened to include only those who had household incomes of \$50,000 or less, i.e., consumers in the income segment most likely to benefit from general purpose reloadable prepaid and/or payroll cards.

Additional demographic information on respondents includes:

Age:	Gender:	Region:
30% 18-24	Female 65%	Northeast 19%
17% 25-34	Male 35%	South 25%
11% 35-49		Midwest 35%
16% 50-64		West 22%
26% 65+		

The margin of error for the survey is \pm 4.0 percent.

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Introduction

The NBPCA's latest consumer opinion survey, *A Survey of American Consumers: General Purpose Prepaid Cards/Payroll Cards*, was undertaken to develop a deeper understanding of consumer attitudes on two increasingly important network branded prepaid card¹ applications.

Survey respondents were screened to include only low- to moderate-income consumers, defined for the purposes of the survey as individuals with an annual household income less than \$50,000. Compared to more affluent Americans, low- to moderate-income consumers have a higher likelihood to be paid in cash; use the services of a check casher; and/or pay bills using cash, money orders, or the check of a friend or family member. This consumer segment, therefore, is a primary target audience for reloadable prepaid cards and most likely to benefit most from owning either a general purpose prepaid card or a payroll card.

Key findings discussed in this White Paper include:

- **Awareness.** Among all respondents, overall awareness of reloadable prepaid cards is strong. In total, 74 percent are aware of reloadable prepaid cards, including 14 percent who report having used such cards and 60 percent who report having heard of them. Viewed separately, cash-based consumers have a similar high level of overall awareness of reloadable prepaid cards—73 percent. But, there are significant differences in the details. Compared to all respondents, reloadable prepaid card use is higher among cash-based consumers, but a considerably lower proportion has heard of the card.
- **Pain Points.** Pain points represent the opportunity for reloadable prepaid cards to address the real-world challenges experienced by respondents, particularly cash-based consumers. The survey examined pain points from three perspectives: overall satisfaction with the ability to “easily and efficiently manage budgets,” satisfaction with being able to conduct specific financial transactions, and financial- or payment-related concerns. The results suggest that reloadable prepaid cards offer benefits, features, and functionality that could significantly relieve a variety of pain points, improving the quality of consumers’ lives.

Terminology

Throughout this White Paper, the term “**reloadable prepaid card**” refers to both **general purpose prepaid cards** (cards typically purchased and funded by a consumer for his/her personal use to pay recurring bills, get cash from ATMs, and/or pay for purchases) and **payroll cards** (cards offered and funded by employers, giving employees access to their wages via a card rather than a check or cash). When a distinction between the cards is required, they are referred to as “general purpose prepaid cards” and “payroll cards.”

In addition, this White Paper uses the term “**cash-based consumer**” to refer to the subset of respondents who are paid in cash; use the services of a check casher; and/or pay bills using cash, money orders, or the check of a friend or family member.

¹ “Network branded” refers to prepaid cards with the American Express, Discover, MasterCard, or Visa brand mark.

- **Interest in Card Acquisition.** Overall, respondents express strong interest in acquiring reloadable prepaid cards, indicated by their expressions of “usefulness” of the cards. Interest is significantly higher among cash-based consumers, suggesting that they recognize how the benefits, features, and functionality of reloadable prepaid cards could alleviate a variety of pain points.
- **Payroll Cards Attractive to Cash-Based Consumers.** Consumers who are paid in cash or who pay their bills with cash/money orders are responsive to an employer-provided prepaid card (“payroll” card). Solid majorities in these two cash-based consumer segments say they would be interested in asking an employer for a card. In addition, approximately half say they would be “more favorable” towards an employer who gave them the option of receiving all or some of their pay on a reloadable prepaid card.
- **Key Messaging.** The reloadable prepaid card messages that resonate most strongly with respondents focus on **security**, **convenience**, and **control**.

Awareness

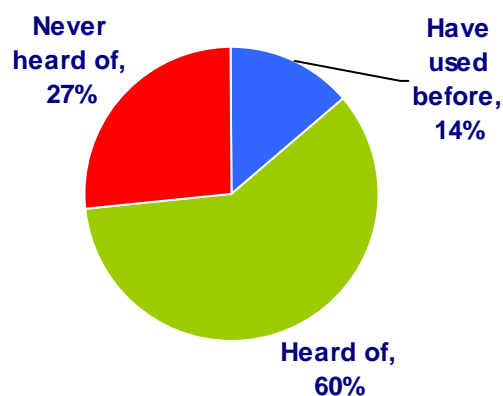
Among all respondents, overall awareness of reloadable prepaid cards is strong. In total, 74 percent are aware of reloadable prepaid cards, including 14 percent who report having used cards and 60 percent who report having heard of them. Viewed separately, cash-based consumers have a similar high level of overall awareness of reloadable prepaid cards—73 percent. But, there are significant differences in the details. Compared to all respondents, reloadable prepaid card use is higher among cash-based consumers, but a considerably lower proportion has heard of the card.

Cash-Based Consumers More Likely to Have Used Cards, But Less Likely to Know of Their Existence

Among the 73 percent of cash-based consumers who are aware of reloadable prepaid cards, 25 percent have used a card (significantly **higher** than the 14 percent of all respondents), but only 48 have heard of reloadable prepaid cards (significantly **lower** than the 60 percent of all respondents).

On one hand, the finding that cash-based consumers are more likely to have used reloadable prepaid cards confirms that this group is a key target market for this product and that some in this segment are embracing new options to make it easier to handle day-to-day finances. On the other hand, the significantly lower percentage of cash-based consumers who have heard of reloadable prepaid cards (among the remaining target market of non-users) emphasizes the challenges of effectively communicating with this key segment.

Fig 1: Awareness Among All Respondents



Reloadable Prepaid Card Users Are Strongly Positive

One of the most important findings of the study came from the 14 percent of respondents who say they had used reloadable prepaid cards: 88 percent had a positive experience with the card—30 percent finding them “extremely” useful, 27 percent finding them “very” useful, and 31 percent finding them “somewhat” useful.

The top three ways these consumers used their reloadable prepaid cards were: shopping in a store (75 percent), shopping online (36 percent), and paying for a meal in a restaurant (32 percent).

Card users also offered positive open-ended comments on their experiences with reloadable prepaid cards. This is a sample of their comments:

- “Used one while traveling for needed purchases on the road because of the convenience and no worry about having to pay a bill later.”
- “To allow myself to get control of my purchases unlike a credit card which needs to be paid later.”
- “I mainly use my prepaid spending cards (I have 2) to do online shopping.”
- “I got one as a result of participating in ShoppersHotline.com ... It was only \$10, and was used up in a month on groceries, but that gave me practice in using it, and it’s reloadable, so I’ll use it again.”

And, here’s more good news for issuers, program managers, and distributors of reloadable prepaid cards:

Based on the high level of satisfaction among respondents who have used reloadable prepaid cards, it’s clear that creating situations leading to hands-on experiences with cards is a good way to win over consumers. As evidenced by their responses, consumers who try a card understand how the cards can improve their financial lives and how they fit into their personal spending requirements.

Pain Points

Pain points represent the opportunity for reloadable prepaid cards to address the real-world challenges experienced by respondents, particularly cash-based consumers. The survey examined pain points from three perspectives: overall satisfaction with the ability to “easily and efficiently manage budgets,” satisfaction with being able to conduct specific financial transactions, and financial- or payment-related concerns. The results suggest that reloadable prepaid cards offer benefits, features, and functionality that could significantly relieve these pain points, improving the quality of consumers’ lives.

Overall Satisfaction with Budget Management

Seventy-one percent of respondents with checking accounts are “extremely” or “very” satisfied (and 94 percent are at least “somewhat” satisfied) with their ability to easily and efficiently manage their budgets. This includes tasks such as depositing/cashing paychecks, making sure bills are paid, and paying for large and small purchases. Responses from cash-based consumers are significantly less positive than those with checking accounts, however; a theme that carries throughout the survey.

Compare the 71 percent satisfaction level of respondents with checking accounts to the satisfaction ratings of cash-based consumers:

- 60 percent satisfaction for those who use cash or have a friend write a check
- 59 percent satisfaction for those who are paid in cash or use a check cashing store
- 49 percent satisfaction for those who use a money order to pay bills
- 48 percent satisfaction for those without a checking account

Although the satisfaction gap related to budget management between respondents with checking accounts and segments of cash-based consumers is significant, it is also predictable. It is self evident that those without checking accounts would find it more challenging to manage their budgets; leading to less satisfaction. What is unexpected, however, is that the satisfaction gap is not *larger*. Despite the impediment of not having a checking account, between 48 and 60 percent of cash-based consumers are *satisfied* with their abilities to manage their budget.

This suggests several possibilities:

- Cash-based consumers have overcome the challenge of not having a checking account by seeking financial accommodations that the banked population may view as non-traditional or even unacceptable. And, they are satisfied with these unconventional arrangements.
- Cash-based consumers are not aware that there are other options that could serve them better than relying on others to pay bills or buying money orders. Because they are not aware that there is an alternative, they have no choice but to be satisfied with the solutions they have cobbled together.
- Cash-based consumers are willing to go to great lengths to avoid doing business with traditional financial institutions. Other research studies have suggested that a significant percentage of unbanked consumers are unbanked by their own choice:
 - **Lack of value.** They may have had a banking relationship in the past, but let it lapse because they didn't write many checks or found bank accounts too costly.
 - **Lack of convenience.** They may not want the hassle of opening or maintaining a bank account.
 - **Lack of trust.** They may be intimidated by the formality and structure of banks and bank personnel.

Satisfaction with Ability to Conduct Specific Payment Transactions

Overall, respondents also are relatively satisfied with their ability to conduct seven different types of day-to-day payment activities such as ***paying for a meal in a restaurant*** (76 percent respond “totally” or “very” satisfied), ***buying groceries/everyday items*** (74 percent), and ***paying bills*** (72 percent). Although a smaller percentage of consumers are satisfied with their ability to ***pay for cable/satellite TV*** (51 percent) or ***cell phone/cell phone calling plan*** (49 percent)², ***reserving a hotel room*** (48 percent), or ***renting a car*** (28 percent), only a small percent—three to eight percent of respondents—are “not very” or “not at all” satisfied with their ability to conduct any of these transactions.

Yet, once again, there is a large satisfaction gap between those who have access to banking services and cash-based consumers, who patch together solutions to handle day-to-day payment functions. For example:

² Paying for cable/satellite TV and a cell phone/cell phone plan were included because a payment card typically is needed for these purchases. Without a payment card, it may be difficult or impossible to purchase these services/items.

- **Paying bills.** 75 percent of check writers are satisfied with their ability to pay bills, compared to only:
 - 60 percent of respondents who use cash or have a friend write a check
 - 55 percent of respondents who are paid in cash or use a check cashing store
 - 50 percent of respondents who use money orders to pay bills
 - 47 percent of respondents without a checking account

- **Paying in restaurants.** 79 percent of respondents with checking accounts are satisfied with their ability to pay for a meal in a restaurant, compared to only:
 - 67 percent of respondents who use cash or have a friend write a check
 - 63 percent of respondents who use money orders to pay bills
 - 57 percent of respondents without a checking account
 - 55 percent of respondents who are paid in cash or use a check cashing store

- **Obtaining a cell phone.** 57 percent of respondents whose pay is direct deposited are satisfied with their ability to obtain a cell phone, compared to only:
 - 43 percent of respondents who use cash or have a friend write a check
 - 37 percent of respondents who use money orders to pay bills
 - 36 percent of respondents without a checking account
 - 33 percent of respondents who are paid in cash or use a check cashing store

Financial- or Payment-Related Concerns

Respondents were asked whether they identify with concerns about payment-related issues. Topping the list among all respondents (examining only the more stringent “top two box” percentages for “extremely” and “very” concerned) are **personal safety/carrying cash** (43 percent), **online shopping** (41 percent), and **easily and efficiently paying bills** (40 percent). These percentages jump between 21 to 32 points when those who are “somewhat concerned” are added.

As with previous measures, cash-based consumers react more strongly. For example:

- **Personal safety.** Only 16 percent of respondents who have their pay direct deposited are “extremely”^{*} concerned for their personal safety, compared to:
 - 22 percent who use cash or have a friend write a check
 - 28 percent who are paid in cash or use a check cashing store
 - 29 percent who use money orders to pay bills

**The “top box” percentage is used on this question to demonstrate the intensity of concern around the issue*

- **Paying bills.** 40 percent of all respondents are “extremely” or “very” concerned about their ability to pay bills, compared to:
 - 42 percent who use cash or have a friend write a check
 - 47 percent who are without a checking account
 - 53 percent who are paid in cash or use a check cashing store
 - 53 percent who use money orders to pay bills

- **Check cashing fees.** 33 percent of respondents with checking accounts are “extremely” or “very” concerned about check cashing fees compared to:
 - 41 percent who are paid in cash or use a check cashing store
 - 41 percent who use cash or have a friend write a check
 - 49 percent who use money orders to pay bills

The significant gaps between the responses of banked respondents and cash-based consumers and the greater intensity of the concerns of cash-based consumers reveal significant consumer pain points, many of which could be addressed by reloadable prepaid cards.

It would be shortsighted, however, to overlook market opportunities to use reloadable prepaid cards to address dissatisfaction and concerns of banked consumers. Although the percentage of all respondents who are not satisfied with their ability to conduct the specific transactions discussed above is small (only three to eight percent), this small percentage also represents opportunity because of the size of the consumer market.

In addition, when considering this information, it should be noted that the expressions of satisfaction were made before specific information (education) about reloadable prepaid cards was provided to help respondents recognize how these products could complement the financial tools they currently use.

Interest in Card Acquisition

Overall, respondents express strong interest in acquiring reloadable prepaid cards, indicated by their expressions of “usefulness” of the cards. Interest is significantly higher among cash-based consumers, suggesting that they recognize how the benefits, features, and functionality of reloadable prepaid cards could alleviate a variety of pain points.

After hearing some details about reloadable prepaid cards,³ 21 percent of all respondents say they would be “extremely” or “very” useful. Another 24 percent agree that reloadable prepaid cards would be “somewhat” useful, for a total of 45 percent of respondents responding favorably.

The potential usefulness (interest in acquisition) of reloadable prepaid cards is rated significantly higher by cash-based consumers. Compare the 45 percent interest level of all respondents to:

- 74 percent of those who use money orders to pay bills
- 73 percent of those without a checking account
- 63 percent of those who use cash or have a friend write a check
- 63 percent of those who are paid in cash or use a check cashing store

In addition, 54 percent of respondents who have their pay direct deposited say that reloadable prepaid cards would be useful, an interesting finding because this group already is using an electronic transaction to deposit funds into bank accounts, but clearly is interested in an easier way to access funds.

This finding raises additional questions that may be of interest to others who are following up with additional research on reloadable prepaid cards:

³ At this point, respondents have been told how reloadable prepaid cards work (e.g., anyone can have one, reloadable, may get one from employer, security protected, etc.) Information has not been provided about *why* they may want a card, i.e., benefits.

- Are respondents who use direct deposit unaware of the likely availability of a debit card from their financial institution that would give them card-based access to their pay/account?
- Or, are they interested in using reloadable prepaid cards to “bucket” their funds for convenience or to manage spending or enhance budgeting?

Payroll Cards Attractive to Cash-Based Consumers

Consumers who are paid in cash or who pay their bills with cash/money orders are responsive to an employer-provided prepaid card (“payroll” card). Solid majorities in these two cash-based consumer segments say they would be interested in asking an employer for a card. In addition, approximately half say they would be “more favorable” towards an employer who gave them the option of receiving all or some of their pay on a reloadable prepaid card.

Overall, 27 percent of respondents say that the knowledge that a potential employer offers a payroll card option, enabling them to load all or some of their wages and/or bonus to a card, would favorably affect their view of that employer.

Predictably, the payroll card option is more attractive to cash-based consumers.

Compare the 27 percent response from all respondents to:

- 45 percent who use money orders to pay bills
- 46 percent without a checking account
- 48 percent who are paid in cash or use a check cashing store

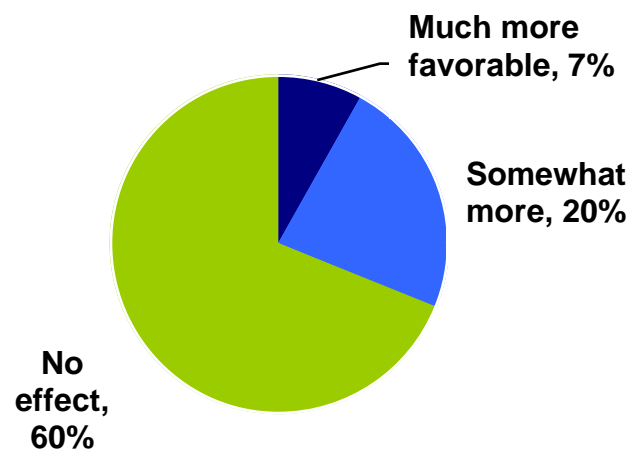
Key Messaging

The reloadable prepaid card messages that resonate most strongly with respondents focus on security, convenience, and control.

Arguably, one of the most useful survey findings is the messaging related to reloadable prepaid cards that resonates most strongly with respondents. On this point respondents were unanimous: the strongest messages address **security** (physical safety associated with payment activities, as well as online safety/identity theft), **convenience** (pay anywhere, pay recurring bills), **control** (manage and track spending, manage budget, avoid overdraft fees/interest fees).

- **Security.** Security messages test well—*not just with cash-based consumers*—but across a broad swath of respondents, including the young and parents. Respondents value safeguards that offer funds replacement if their cards are lost or stolen, reduce the need to carry large amounts of cash, and enable them to shop online with less exposure to their lines of credit or funds in their checking accounts.

Fig 2: Impact of Payroll Card on Employee Attitudes



- **Convenience.** Reloadable prepaid cards give consumers the convenience associated with mainstream debit and credit card products. This includes paying for purchases almost anywhere; paying recurring bills; making hotel or plane reservations; and securing cable, satellite TV, or cell phone service.
- **Control.** Reloadable prepaid cards offer the ability to budget and track spending—avoiding over spending, overdrafts, and interest charges.

Messages about convenience and control test most strongly with cash-based consumers—typically 15 to 20 points higher than among all respondents.

Conclusion

The NBPCA consumer opinion survey, *A Survey of American Consumers: General Purpose Prepaid Cards/Payroll Cards*, offers a great deal of positive information for issuers, program managers, and distributors that offer or are contemplating offering reloadable prepaid cards. As respondents clearly indicate, there is a demonstrated unmet need for these products and the key audience is responsive to benefits messages. In addition, early users of these products overwhelmingly have had positive experiences—good evidence that reloadable prepaid cards are easy to use, meet a need, and are regarded as a good value. Organizations supporting or contemplating support will need to address other business model concerns (pricing, distribution, disclosure, reload, relationship stickiness, and the effect of competitors targeting the same audience), but they can feel comfortable that from a consumer perspective, there is a viable market for reloadable prepaid cards.

Here are some concluding thoughts:

- Reloadable prepaid cards respond to clear concerns and challenges faced by consumers in the less than \$50,000/year income demographic. Many in this economic group appear to be open to new ways of handling their money and receptive to reloadable prepaid cards when they learn how their benefits, features, and functionality can alleviate the day-to-day pain points (that they may not even be consciously aware of) associated with their creative and make-shift methods to cash checks, pay bills, and conduct other ordinary financial transactions.

Although relatively low percentages of cash-based consumers express dissatisfaction with their current patchwork financial arrangements, it's easy to speculate that *with education* about reloadable prepaid cards as a better way to handle their money, their dissatisfaction with their current arrangements could increase.

- A key issue to attracting cash-based consumers to reloadable prepaid cards is communication. Lower awareness of prepaid reloadable cards among core segments of potential users confirms what others have found; i.e., mainstream communications are not necessarily the most effective vehicles to reach this audience. Communications channels must be rethought and hands-on, mini-marketing efforts that are sensitive to language and cultural issues should be considered and created. Marketing and education through “non-traditional” parties that are known and trusted are highly recommended. This could include employers offering payroll cards as an option to new and current employees, as well as non-profit organizations, such as workers centers, that could assist in the introduction of reloadable prepaid cards and educate consumers on how to use them effectively.
- Respondents react strongly to the *benefits* associated with reloadable prepaid cards. Benefits messages interpret features and functionality in a way that helps consumers recognize how reloadable prepaid cards can address their unmet payment/financial needs or leads them to understanding that there is a better way to handle their finances than the option they are now using.

Despite the obvious greater need for reloadable prepaid cards among cash-based consumers, the banked in the less than \$50,000 income bracket should not be discounted as a potential target market for these products. Even for those with other financial tool options, a reloadable prepaid card can be valuable because of its convenience attributes and its usefulness in personal budgeting. Many marketing studies confirm the importance of bucketing to consumers, a form of self discipline that helps avoid spending beyond a certain amount or incurring debt. For this segment, reloadable prepaid cards are a tool for prudent financial management.

- Most interesting are the key network branded prepaid card benefits that jump off the page in this survey. **Security, convenience, and control** resonate throughout the study and should become the mantra of industry participants that communicate with consumers about these products.

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About the NBPCA:

The Network Branded Prepaid Card Association (NBPCA) is a nonprofit, inter-industry trade association supporting the growth and success of network branded prepaid cards and representing the common interests of the many players in this new and rapidly growing payments category. The NBPCA's Working Groups drive the activities of the Association for its more than 35 members. For additional information, visit www.NBPCA.com.



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