



THE POWER OF PREPAID



ABOUT THIS PAPER

The financial world is changing; post-recession, trust in financial institutions remains low and consumers are looking for more control over their finances. This research, carried out in six European countries, shows that consumers are creating ad hoc methods in order to manage their money effectively, demonstrating that financial institutions are not keeping up with consumer demand. This research shows that prepaid could help supply this demand, fulfilling consumer need while simultaneously creating a more trusting relationship with consumers.

However, many traditional and non-traditional electronic payment card issuers express concern that their customers just aren't interested in prepaid and either don't understand it or think that it has no application for them in their current lives. In many cases, a country may already have high penetration levels of bank accounts and other electronic payment cards such as debit and credit, which only helps to fuel the idea that prepaid has no place in which to compete commercially with their other product offerings. This research was commissioned to see whether this is in fact the case, or whether other underlying reasons are behind the lack of prepaid penetration across a number of countries in Europe.

The most consistent and powerful finding of this research is that people across Europe are aspiring to take greater control over their financial management. They are actively looking for, and creating their own, ad hoc solutions in order to do this, often not realising that prepaid could aid them. Prepaid is a product which enables greater levels of control across a number of important areas of concern in people's lives: budgeting, saving, online shopping, foreign travel and equipping

young people with financial management skills whilst maintaining control over their spending. While the general public have some awareness of the existence of prepaid cards, most are not actively taking advantage of the benefits because they are lacking knowledge about how prepaid could enhance their current portfolio of financial products.

The research was conducted with consumers across six markets (Belgium, Hungary, Netherlands, Poland, Spain & Turkey) to understand their current financial behaviours and where prepaid currently fits, or has potential to fit, into their lives. The approach was designed with breadth and depth in mind. The quantitative element contained a sample of 2400 respondents, including 1000 prepaid users and 1400 non-prepaid users. This was combined with an in-depth ethnographic study, looking qualitatively at how 36 different households live day-to-day, how they manage their finances and where they currently struggle. Throughout this paper, there will be references to quantitative findings alongside illustrative stories of families and individuals who took part in the ethnographic study.

This paper demonstrates that if the general public understood the 'power' of prepaid, it would result in greater demand. It explains how, currently, consumers are not equipped with the level of knowledge needed for them to understand how prepaid can fulfil their unmet needs and that an inherent need for prepaid does exist across these markets. Prepaid offers an opportunity for issuers to provide their customers with information which will enable them to take greater control of their finances, as the research shows they are actively seeking to do.

The research highlights some key opportunities for issuers:

Enabling responsible financial management

Prepaid currently has a positive connotation for consumers and permits the safety of knowing that their current account is safe because there is a limit to the amount they can spend and no danger of going overdrawn and incurring fees;

Engagement

There is an opportunity for issuers to use prepaid as a way to start the relationship early with youth, leading to future acquisition, retention and future cross-selling opportunities;

Acquisition

At a time when engagement with issuers is low, this is an opportunity for them to get their existing customers - particularly women - engaged, as well as attract new customers with a simple, easy-to-manage product that can be used alongside their existing product portfolio as a complementary companion card.

This paper starts by exploring how people are currently managing their money, the challenges they face, people's aspiration for greater financial control and the way in which this correlates with the functions that prepaid has to offer. Next, we look at the relationship people have with traditional and non-traditional issuers and the role they play when it comes to prepaid. In turn, we look at the verticals of youth, online and international travel; how people currently behave in relation to these and how prepaid could be used to enhance security and control. Finally, the paper ends with a challenge for

issuers across Europe to respond to consumers' calls for enhanced control over their finances by informing them of the way prepaid could fit within their current portfolio of products - not acting as a substitute, but as a complementary financial product.

The research was conducted by Ipsos MORI on behalf of MasterCard from March-June 2014.

Six markets



Quantitative research



Ethnographic research



PREPAID

ENABLING RESPONSIBLE FINANCIAL MANAGEMENT

Consumers are constantly looking for ways to manage their finances and control their spend, often utilising rather ad hoc measures to do this. These measures involve moving money from account to account, withdrawing cash to prevent overspend, or parents giving their debit card to their children and trusting them not to overspend. These ad hoc mechanisms for controlling spend often create a sense of anxiety, are associated with an increased exposure to risk, or are difficult to carry out.

However, as this research shows, the use of prepaid cards can help overcome these issues for consumers. Those who are not using prepaid cards, and using ad hoc mechanisms in order to control their finances, are inconvenienced without necessarily realising it, whilst prepaid card users are benefitting. The two comparative case studies below demonstrate this clearly.

The case study demonstrates clearly how Marek makes use of his prepaid card in some very specific ways to budget his everyday spend - and he is not alone. Interestingly, prepaid users tend to own a larger portfolio of financial products compared with non-prepaid users. This finding implies that people already using prepaid products are more financially literate and, importantly, have a better understanding of how to take control of their finances. Prepaid is a tool they have chosen to aid them in this, existing as a complementary product - alongside their debit and/or credit cards.

Behaviours and rituals

In order to understand people's needs regarding their finances, the research looked into consumer behaviours and rituals, so as to highlight where and how financial products and services could be of most use to them. Through observing these behaviours, the research identified a number of areas in which consumers could improve their financial control through the use of prepaid cards.

Case studies

Non-prepaid user case study

Mustafa, 35, lives in the Netherlands, works as an administrator and has a lot of debt. Five years ago he was, as he says, a real party animal. He would spend all his money on parties, alcohol, and buying things for himself. He went through a difficult period after his divorce and accumulated a lot of debt. Mustafa is now remarried and organises his money and finances; he keeps lists of things he needs to pay for, and is in the midst of a debt restructuring programme, which will see him debt-free within a few years if he sticks to it.

Mustafa usually divides his spending across the days of the month in order to know how much he has to spend. Every month when he receives his salary, he pays all his bills at the bank and then he withdraws the rest of the money in cash. He does this because he has previously experienced the rent being withdrawn twice in the same month. The rest of his money is kept in the house and he takes out the amount of cash which he has allocated in his budget. Keeping the money at home leaves him open to the risk of spending the money on himself, but he feels he has no other choice and can't afford for the rent to be taken from his account twice again. When he travels abroad each year with his new wife, he always brings cash with him because then he knows that he won't spend any more, and he also can't afford to use his debit card abroad. However, carrying cash with him means that he always ends up spending more than he would usually have spent.

Prepaid user case study

Marek lives in Poland with his wife and young daughter. He enjoys going on holiday with his family, and likes spending time looking after his daughter and doing DIY around the house. He is really happy about his prepaid card and uses it all the time. He transfers the family's monthly budget onto his prepaid card, which helps them avoid overspending. He works out how much he can spend on a daily basis by dividing their budget across 30 days, and he knows that there is only the money on his prepaid card to spend on household items.

Marek makes a lot of purchases online and always looks at the price comparison websites. The first time he heard about prepaid was on the internet and he was really keen on the idea of having a card which is issued for a small one-off purchase fee and which charges no fees to use it. He likes the fact that the money he pays onto the card is the money he wants to spend that month, and that he can adjust this amount all the time. It has also become their 'holiday card'. When they go on holiday, the couple transfer the amount they want to spend and they don't exceed this. It gives them a lot of control and they feel assured that they are sticking to their budget. Marek is also really happy about the advantage of having that card linked to his account. He doesn't have to go to the bank or to the cashpoint, as he can just transfer money [on to his prepaid card] via internet banking.

Ownership of financial products

Prepaid users tend to use a larger portfolio of financial products versus non prepaid users



Have a credit card

Prepaid users

68%

Prepaid non users

52%



Have a saving account

Prepaid users

68%

Prepaid non users

49%

Maintaining control

We observed people withdrawing cash each month, which they would specifically allocate to their household shopping. This is a mechanism for those who do not want to lose control by overspending on their general household expenses. Results of the quantitative survey demonstrate that across all participating markets, control over finances is of key importance.

This ad hoc control mechanism could be improved whilst not having to rely on cash. In cases where people withdraw cash each month, money could instead be transferred to a prepaid card which is then used solely for household spending – saving people from carrying

large amounts of cash around or storing it in their homes. Using prepaid in this way would leave them less vulnerable to big cash losses whilst still enabling the feeling of control that working with cash brings. Furthermore, the use of prepaid would help them avoid overspending on their debit or credit card and incurring fees/penalties - something that people try to avoid at all costs but can resort to out of necessity. With prepaid, there is no danger of incurring any penalties.

Prepaid offers a solution to the hurdles which people come up against as they try to manage their finances and are faced with the challenges of impulse spending.

The pitfalls of mental accounting and the risk of spending beyond one's means

While some people are very precise with their budgeting, making use of spreadsheets and tools to keep track of spending, others simply resort to mental accounting. This engenders a feeling of control over their finances, but can often lead to problems when miscalculations happen and/or memories fail.

Agata from Poland explains that she never remembers how much things cost but that she has more or less an idea and knows how much she can spend each month. However, she admits that she does accidentally become overdrawn on her account because she hasn't realised how much she has spent. For example, she describes how she lost control despite thinking that she had accounted for all her spending:

Daan withdraws money to take with him when he goes shopping, representing a personalised budgeting tool in order to maintain control. During the research, when visiting a shop with his family, they realise at the till that they have chosen too many things to buy and that they don't have enough cash. They end up having to leave some of the goods at the shop and return another time for them.

Problems resulting from mental accounting could be solved by making better use of budgeting tools. Through the act of 'loading' the card, prepaid encourages people to engage more closely with their finances, thereby making them more aware of the exact amount available, as well as capping their expenditure.

This research demonstrates that some people go into their overdraft or use a credit card at the end of the month to cover certain expenses before payday because they have run out of money. It is also clear that this was seen as something inherently negative - people would try to avoid this happening but did not have the tools to aid them. In the quantitative findings, 64% of people across the researched markets agreed that they try to avoid buying things on credit.

Agata goes on to tell us that she is aware of the potential pitfalls of owning and using credit cards. When she shops online and has to use a credit card because that is the only accepted form of payment, she now transfers the money directly to the credit card after she's finished the transaction in order to avoid debt, thereby demonstrating more responsible financial management. While some consumers are always likely to own a credit card for moments when nothing else will do, the addition of a prepaid card to their wallet would give them a greater feeling of control over their finances – especially for smaller-value items.

A behaviour that is linked to not wanting to overspend in order to save money is something referred to as 'jam-jarring' (storing cash in various places, often around the home) so as to separate it from day-to-day accounts and make it less accessible.



79% Prepaid users
81% Prepaid non users
Like to keep track of their finances



60% Prepaid users
59% Prepaid non users
Allocate/assign money to their different needs and services



78% Prepaid users
75% Prepaid non users
Regularly check the balance on their current account



"I was surprised myself... that I bought this, I bought that and somehow it all added up to a terrible amount. But I had the impression that I had money because there was money in my account. I was too optimistic."

When faced with short-term gratification, people's desire to purchase certain things is sometimes greater than their ability to remember how much they have actually spent. Daan from the Netherlands explains:

"Sometimes you lose track of how much money you have spent each day."

Jam-jarring to control spend and save



Across markets, we found that the practice of jam-jarring is common among people from all social backgrounds. Many people employ this type of unconventional saving, which involves cash being stored for a rainy day. This happens despite the fact that people express a general desire not to be handling cash in their daily lives, with 64% of people preferring to make payments by card vs. 42% who like paying by cash.

Maartje from the Netherlands manages to save money for her daughter's education this way. She showed us a separate purse containing money that she keeps in her cupboard and explained:

"Here I have a wallet with a couple of hundred euros - for Melissa's education. Soon I'll add some money. I will put it in here and that is specifically for her education. And if the money is in the bank and I feel like going out for dinner or something and I pay by card, or if I feel like going for a day out and I pay for that by card, etc. - all of a sudden it's all spent without my even noticing it."

Maartje, Netherlands

This clearly demonstrates that Maartje is all too aware of the risks associated with keeping her savings in the bank - the risks posed by herself and her potential spending. Prepaid could become an electronic jam-jar - a safer, more secure way for Maartje to save for her daughter's education whilst still being an 'inaccessible' and safer way to store money without the vulnerability of leaving large amounts of cash around her home.

Zsófia from Hungary showed us how she keeps a little box on her shelf, in which she saves money during the month. She puts small coins in it over time in order to have a bit extra for the last week of the month. When showing us her money box, she is surprised to find that there is less in there than she thought, so someone has taken money out:

"Whoops, it looks like someone has touched it. I am quite reluctant to open it a few days before the end of the month."

Prepaid could solve many of the problems highlighted by our participants, allowing them to keep their money safe from other people, including family members, and perhaps most importantly, themselves.

A finite account

We saw those people who are already using prepaid utilising their cards in ways that help them make their finances more robust, safe and convenient. This is demonstrated clearly by Emma from Belgium:

"It allows you to be sure you are in control of your account. ... It works just as well as a normal credit card. And the fact of having a rational [bank] account - one that is finite, that you can't go beyond."

Emma, Belgium

For Emma, it is clearly a matter of safeguarding against her temptation to spend with a 'rational bank account'. Marek from Poland also tells a similar story:

"The prepaid card helps us because you can't overdraw. Because there was a period when we just kept spending without thinking, and it then turned out that we couldn't save anything. The money that I put onto prepaid, I divide across 30 days."

Marek, Poland

When people are taking the specific precautions against wanting to spend in the moment, by withdrawing money and saving it in their cupboards, it demonstrates that there is a need for them to manage their finances in more convenient ways - ways that prepaid already offers, often unbeknown to them.

Interestingly, across both prepaid users and non-prepaid users in each market, it is very clear from the quantitative research that control and debt prevention are already seen as big advantages.

This means that the public who are clearly seeking to gain more control over their money can see prepaid's potential to enable them to do this, once they are introduced to the concept. These findings demonstrate that there is a gap in the market not being fulfilled, since consumers currently aren't fully informed about the existence of prepaid and how it works.



73% Prepaid users
72% Prepaid non users

think that prepaid cards provide/ could provide the advantage of preventing them from going into debt



69% Prepaid users
68% Prepaid non users

think that a prepaid card is a tool that gives/could give them control of spending

ENGAGEMENT AND ACQUISITION

For many people, money is viewed as private. Finances can be difficult to discuss, even within families and between friends. While conducting the ethnography, it was only after spending a long time with people that they felt comfortable enough to talk frankly about their financial situation. Some people find it difficult to show the content of their wallets and purses, even to loved ones:

"I don't like showing what I have inside my wallet. So, just like some people have cards and they show them off, I want to keep them separate, so that nobody can see what kinds of cards I have."

Agnieszka, Poland



Case study

After some time participating in the interview, Emma was happy to speak about her finances; however, when she went to find her personal folder with all her banking papers and information, she disappeared into another room and closed the door behind her. When prompted about this afterwards, she said that it was a folder full of private financial papers and that she did not want to share all of them. When we prompted her to talk about finances, Emma explained:

"At my age, you don't really have anyone to talk to any more about financial problems. It's in the family. And there are brokers as well; they can offer advice. But for the moment they're not advising anything because we have no savings left. So there you go – it's a question of drastic economising day-to-day."

In the wider socio-cultural context, Emma also describes that money and finances are taboo topics in Belgium and not something that people often talk about:

"We don't talk about money here. Maybe if someone bought something very big, they'd say, 'I've done something silly.' But that's it. Nobody talks about their salary. It's very taboo. A number is difficult to get out of people. And if you do, it's likely not to be the truth."

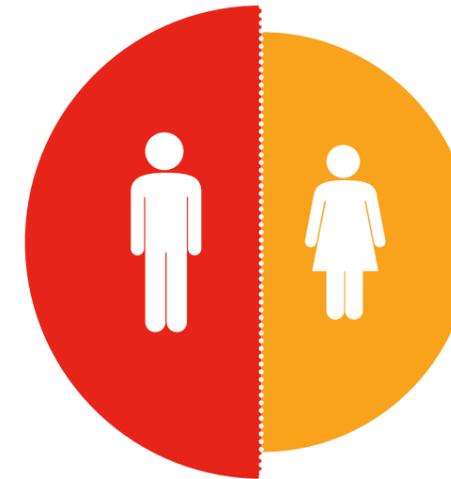
Who is in charge of household finances?

Another issue tied up with finances and privacy is who is really in charge of household finances. There were some interesting responses to the question of budgeting decisions and who controls the management of finances in the household from the quantitative research. Across the researched markets, there is a significantly higher proportion of men who think they are solely responsible for making the household budgeting decisions. However, there is a significantly higher proportion of women who

think they are equally in charge of making the household budgeting decisions as men. This is interesting because, clearly, while women believe they have an equal say, men still fundamentally think they are in charge. By contrast, in the ethnographic interviews, we observed a clear gender divide; a growing trend for women to take charge of the household finances, budgeting and general spending, regardless of whether they are the primary breadwinners or not.

62%

Men think they **solely/mostly** make household budgeting decisions

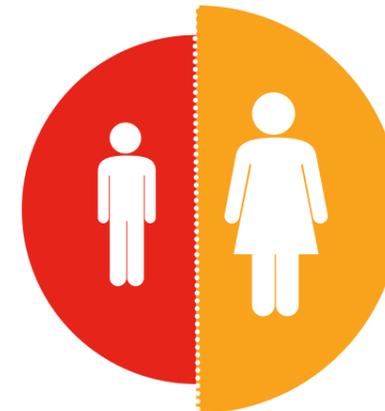


49%

Women think they **solely/mostly** make household budgeting decisions

34%

Men think they are **equally** in charge of making household budgeting decisions as women



46%

Women think they are **equally** in charge of making household budgeting decisions as men

We found that women are keen to ensure that a certain amount of money is spent on groceries and other essentials; they maintain budgets for the mortgage and the bills; they have a strong desire to teach their children about money management, and they want to save money when possible.



"My wife takes care of the bills, what to pay and when; I am completely exempt from that and do not need to worry about it. I would not be able to deal with these things with such precision, and I would not have the patience for it either. My wife also does my [work] accounting and deals with my administrative things, as these would be too much for me alone. We have been doing it like this for 25 years."

Máté, Hungary

Likewise, in the Netherlands, Daan explains how his wife is the person in charge of the household finances:

"I can print out an annual account balance but [my wife] is much more at home with finances."

Case study

In the Netherlands, we observed how Sophie was in charge of the allocated 'spending money' for herself and her boyfriend. By using a separate compartment in her purse, she is able to keep some cash each month for them to use when they go out for dinner or drinks. They both add money each month to ensure that they always have enough to do nice things together. Sophie explains that she never usually carries cash otherwise, so sometimes finds herself having to borrow money from her 'spending money'.

She then leaves a note in the compartment with the amount she has borrowed, how much was in there, and how much is left. This kind of convoluted procedure could be avoided if the couple had a prepaid card for going out – then they would not have to withdraw cash but could just pay the money directly onto a prepaid card, and Sophie would not need to always 'manage' the separate cash in her wallet.

So while men say they are in charge of household finances, women are certainly playing a greater role and card issuers should be aware of this. There is an opportunity for issuers to open a new conversation and actively engage with their existing customers, particularly women, with prepaid as a new tool to sit alongside their current portfolio of financial products. Currently, issuers generally target men in their communication of financial products. However, this research demonstrates that there is a real opportunity for issuers to actively tailor their marketing to target women. Prepaid could assist in this conversation, providing a solution for women which will enable greater control in the financial tasks they are already managing.

Relationship with issuers

As demonstrated in the earlier case study, money and finances are topics that are taboo in many of these markets, and this has an impact on issuers' relationships with their customers today. This is one of the reasons people like using online banking, SMS services for account and balance updates and generally avoid going to the bank when possible. Across Europe 76% of people manage their finances online. Not only are these tools convenient but they are secure and often customised to individuals' specific needs, enabling a further sense of financial security and control. At a time when engagement is low, prepaid provides an opportunity to get existing

Prepaid users

Source of acquisition for prepaid cards

Among prepaid users across all researched markets respondents are predominantly sourcing prepaid cards from banks



51%
Bank
branch



17%
Bank
website



16%
Retail
store



17%
Bank
website



9%
Online payment
network website
(e.g. PayPal, Ukash,
paysafecard)



6%
Retailer
website

Acquisition of prepaid cards online

customers to engage with issuers about a new product, as well as potentially attract new customers with a product to help them better control their finances.

Despite resistance to interacting with financial institutions face-to-face, it is clear from the quantitative findings that when it comes to purchasing a new financial product, this type of interaction is still valued. When asked about acquiring a prepaid card across a variety of types of issuer, 51% of prepaid users did so directly from their bank branch, while only 17% did so online through their bank website.

This research highlights just how private some people consider their finances to be and how there is an opportunity for issuers to think about new strategies to address this. If people don't feel able to talk openly with issuers about their finances, it is problematic because issuers will not be able to adequately meet consumers' needs. Another problem raised is that people can feel intimidated by financial organisations and can often be left feeling confused but not wanting to ask questions out of fear of looking 'silly'.

"The problem with the bank is that it uses these technical terms to talk to you. You either understand it or you don't. It's like when you go to see a lawyer – half of what they say is lost on us because we have no idea about the things they tell us."

Alejandro, Spain

The perceived lack of clarity and openness from issuers vis-à-vis their customers often means that people do not easily find out about new products and services. Consumers are often afraid to ask and they are reluctant to start a conversation about their finances – especially if they have debt or if they do not earn a lot.

It would be to the issuers' benefit to engender more open and honest conversations with customers about their financial situation. This research highlights that, currently, there is a gap in the amount and quality of new-product information flowing from issuer to cardholder. Interestingly, 66% of people across Europe agree that

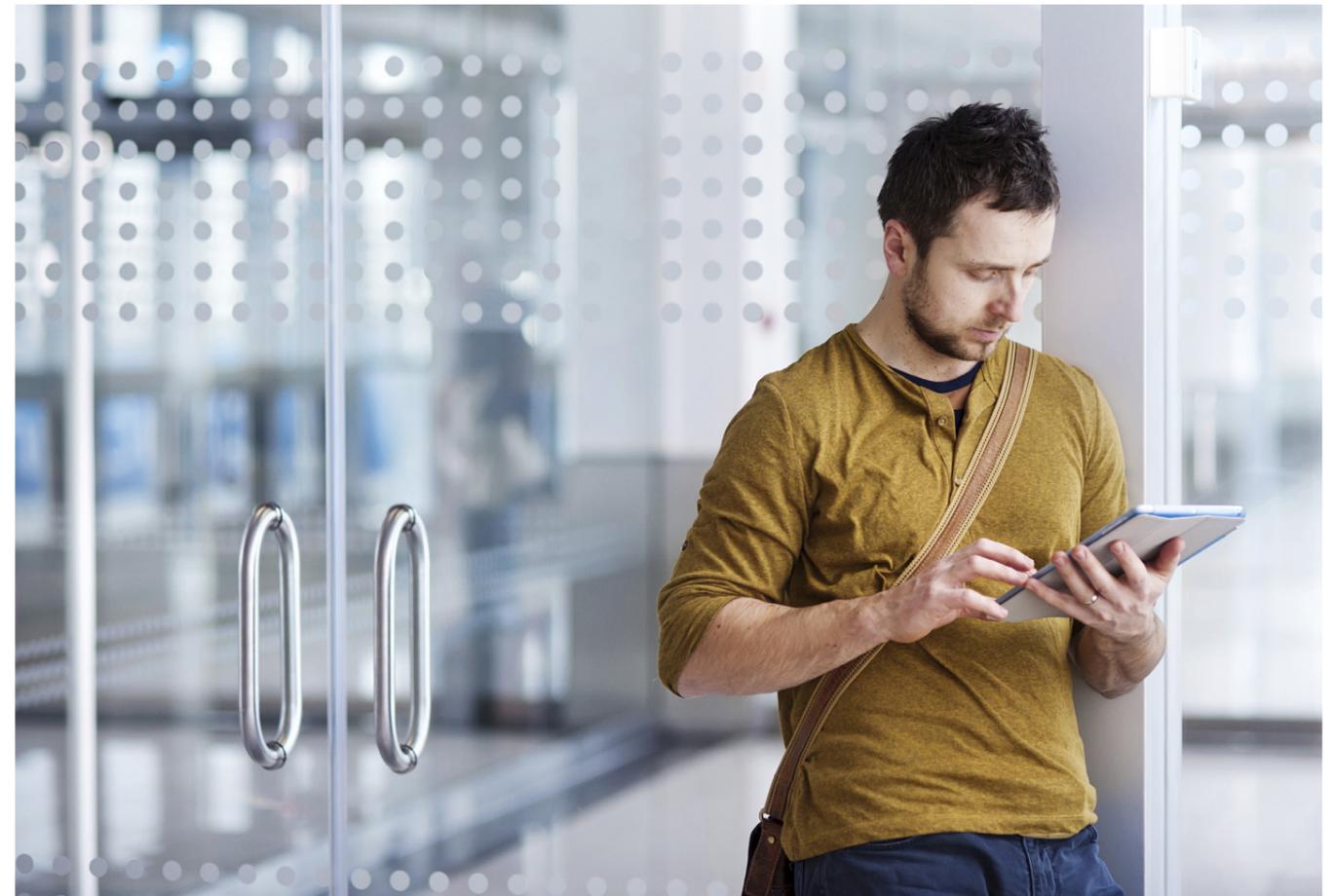
they read all or most of the communications (email/post) received from their bank or card provider. This is a useful finding in that more information about new products, including prepaid cards, could be shared this way.

The research also showed a number of people who expressed a desire to hear about new financial products which could offer them greater financial control but felt the financial institutions they had a relationship with were not forthcoming with information on new products. Only 31% of people think their bank provides sufficient information about services relevant to their needs, so there is clearly a gap here.

"I have been talking to others about this as well, and maybe the banks do not approach clients sufficiently - if they have something new, something interesting. That is my experience, anyway, as I heard about a few things, and I do not know why they didn't let me know. They always ask if they can inform me by email. Yes, they can inform me by email if there is something new. It really is just a click and then the message is delivered."

Máté, Hungary

This is a powerful finding which speaks to issuers directly about what and how they are communicating with customers. Customers in these markets have highlighted a desire for products which provide greater control and, more importantly, a desire to be informed about such products.



EDUCATING THE CONSUMER

The benefits of prepaid for young people, online security and international travel

Despite wanting a solution to gain an extra level of financial control, many people are currently unaware of the ways in which prepaid could add to their portfolio of existing financial products in order to achieve this. In this section of the paper we explore three areas of life where prepaid could clearly benefit consumers:

- Prepaid for young people - educating young people about financial management whilst maintaining control of their spend;
- Online security - enabling safe purchasing online without exposing wider accounts to risk;
- International travel - a simple way to increase levels of control while abroad.

This section outlines the current unmet needs in these areas of life and demonstrates where prepaid could provide a simple solution which could benefit customers.

Benefit of prepaid for young people

Finance is an important topic in the relationship between teenagers and their parents. The transition to becoming an adult is often inextricably linked to financial independence, and obtaining one's first payment card often represents this step into the adult world.

The teenage years also present many challenges for parents and their children alike. Parents often want to instil a sense of responsibility and humility in their children when it comes to financial management. They want their children to make a good start in life by being able to spend responsibly, and to learn that the bills must be prioritised. Parents also have aspirations for their children and these are closely linked to financial

resources. Incurring debt is one of the things that parents wish their children to avoid, particularly if they have themselves suffered in the face of debt problems. This is supported by the fact that 70% of the parents of children aged 13+ think an advantage of prepaid cards is that it is a good way to teach their children about money management; only 30% of parents say that it does not matter to them.

However, young people are not always able to live up to their parents' ideals and they often don't consider the consequences of their actions. Just as we have seen with some of our other participants, decisions around money and spending are underpinned by emotional factors. We found that across the markets, these factors are also playing an important role in relation to teenagers:

"Something always happens – you talk to a friend and say, 'Let's go somewhere.' - so you end up spending money unwillingly. You then need to take that out of your planned budget. And you can't plan for your budget – you can't say, 'I am going out on this day but not on that day.' So in my opinion, planning just doesn't work for students."

Deniz, Turkey

As Máté from Hungary also explains:

"We always tell our son as well that it is not necessary to spend all his money in one go. We would like him to think ahead and realise that he might need it for something else in the future."

Máté goes on to describe what happened when his son received his student loan:

"Of course, he said he wasn't going to spend it all... But when they go to a party, and [they ask] 'Who's got some money?' Kristóf has some – he has his card on him. So the amount was spent."

Those surveyed through the quantitative element of this research see ample opportunity for prepaid to help them take greater control over their children's financial education and, more specifically, their spending.

There is, therefore, a big opportunity for prepaid to play a bigger role in the relationship between parents and their children in relation to finances. Most parents want to give their children money to spend but they also realise that they need to teach their children about the role money plays in life. Being able to provide a card which parents control in terms of the amount they load on it, but then passing responsibility to their children to spend as they need, is an ideal scenario. However, there is currently a barrier to this happening in that 69% of parents of children aged 13+ would not consider prepaid cards because they think anybody can use it if they pick it up (3rd top reason). Clear communication from issuers on how prepaid cards work - particularly the inherent security features such as Chip and PIN - could easily overcome this barrier.



70%

of parents think that prepaid cards are a good way to teach their children about money management



67%

of parents think prepaid is a good tool to monitor how their children are spending money



67%

of parents think that prepaid could help them better control their children's spending

Fulfilling an unmet need

Not only can parents give their children money and both observe and control where, and how, they are spending, they can also teach them to budget and to save by only allowing them a certain amount on a card to spend over a controlled period of time.

We found that although some people were familiar with prepaid cards, they had not necessarily thought of using them for their teenage children. For example, Agata from Poland explained that while she knew about prepaid cards, she had never thought about using one for her daughter until it was raised in her research interview. She really liked the idea and thought that it would be a great tool. For others, the control afforded by prepaid was already an integral part of their teenagers' lives:

"My daughter has a prepaid card for online shopping – a Cybercard. Say I am putting 300 liras as the limit, even if there is 500 liras in the account, you can only use 300, thus it allows you to set the limit. I am happy because I am the one who sets the limit."

Feyza, Turkey

Emma from Belgium explains that the inherent security features of her prepaid card give her a safe way to give money to the teenage boy she occasionally looks after:

"Well, that's it: he's young; he leaves it lying around. But then the card, if it gets stolen, well, it's gone, but the person doesn't have the pin number. It's not as easy to steal the card as it is to steal cash, which is very easy to take."



So of those already using prepaid with young people, there are many advocates. Amongst those who took part in the research who were either not aware of prepaid or hadn't thought of using it in this way, there was great interest. There is a clear opportunity for issuers to educate and target parents and teenagers with prepaid cards, since currently there is a consumer need which is not being adequately met. The benefit for issuers is twofold: they can engage parents in a new conversation whilst also starting a relationship with future customers whilst they are young. People tend not to switch from institutions they start out with, so getting them engaged at an early age is the first step to continued custom and a long financial relationship.

Online and security: deals trump concerns about online security

Technology has seeped into every aspect of consumers' lives and it has come to play a big part in their financial management routines. Mobile and internet shopping are increasingly becoming an integrated and standard part of everyday life. While people are aware of the risks associated with these new technologies, the benefits that they derive from the convenience of online banking, as well as the bargains they find from shopping online, often far outweigh the potential risks to which they expose themselves.

People enjoy shopping online because they get discounts and are able to save money on great deals, and compare prices. The quantitative research shows 58% of people agree that they like shopping online because it is cheaper. During the course of the ethnographic research, we came across many examples of people purchasing online in order to save money:

"I buy different things online. Like these things for sewing. The idea is to keep it as cheap as possible."

Elise, Belgium

Luuk and his wife, who live in Belgium, shop online for flights and hotels as this means they are able to make great savings. They regularly spend hours on the internet comparing prices and choosing the best deals. During the interview, they proudly talked the interviewer through their next holiday for the year, the exact amount of money they managed to save and exactly how they did it. The feelings of satisfaction this couple experience in making these savings far outweigh any concerns they have about online security when purchasing holidays online.

Interestingly, people are aware of the potential risk they are exposing themselves to when they shop online. We heard several stories about people's experiences of online fraud. We were regularly told stories of people receiving the wrong thing or not receiving anything at

all after making purchases online. In Turkey, Deniz and her friends explained that one of them received some "ridiculous stuff" which was completely the wrong thing compared to what had been purchased. However, despite their acute awareness of risk, people still carry on shopping online because of the potential savings and bargains they find. This sense of being able to get great deals trumps their ability to be rational about their spending despite the risk.

"I buy things online, but you also hear so many things with respect to the fact that your number can be used and that they take all the money from your account; well, I am also a bit scared sometimes."

Hugo, Spain

"On the internet you find a lot more brands. Of course, I do consider whether it offers me security – if it doesn't, then no. But if it's a one-off thing and the price isn't too much, then I'll go with it."

Diego, Spain

This all means that people are often exposing themselves to the risk of online fraud because they are making online purchases in the moment. The potential risk that consumers are exposing themselves to is rarely being thought about in the moment, even though the idea of exposing their entire current account is something that a lot of people are wary about. When the concept of prepaid had been introduced to them through the research, 70% of respondents thought that it is secure to use prepaid cards online. Prepaid could be positioned as a companion card to their debit or credit card for online purchases, appealing to people for whom the potential losses that could be associated with using a debit/credit card might be too much to bear. The clear functional and emotional benefits that prepaid brings help to further support the premise that offering a prepaid card to consumers as part of their existing product portfolio would be welcomed.

International travel: enhanced issues of control when travelling

There is an added level of complexity when it comes to managing money when abroad - people often feel more vulnerable in unknown places, particularly when they don't understand the currency and/or language, so there are greater levels of anxiety around:

Control - knowing how much they can spend and staying within that limit;

Complexity - understanding how much their money is worth and not paying over the odds;

Security - not wanting to carry lots of cash around and/or expose their debit or credit cards to risk.

As highlighted throughout this paper, control is a recurring theme in relation to people's financial management: people often switch between their 'rational' and 'irrational' self - their emotional desire to spend money vs. their conscience reminding them to remain prudent and in control, putting money aside for the bills, the groceries and the mortgage.

When it comes to travelling, people want to be in control of their spending to a greater extent than when they are at home going about their daily business. There are a number of reasons for this:

- People often save all year for their 'spending money' and therefore want to ensure it is safe and managed, so that it lasts the holiday;
- Finding themselves away from their normal surroundings, they experience greater levels of anxiety and complexity in that they often don't understand the local currency or speak the local language.

The vulnerability that some people experience drives them to be more intent on controlling their finances while abroad. We observed different strategies for overcoming this perceived loss of control. While some

people withdraw cash to take with them in order to know how much they can spend per week, others will transfer money to a different account, which is solely used while away on holiday. For others, a savings account for their holiday spending is the best solution, and this encourages them to save money throughout the year for their holiday. Regardless of which mechanism is used, for the majority of people, the idea of keeping a tight budget while abroad and knowing exactly how much they can spend on a daily basis was of great importance.

"I always bring €500 with me in cash. For two weeks... You have an amount in your head but you need to double that. Because you do things you don't normally do. You're always faced with unexpected things."

Mustafa, Netherlands

Being robbed, or losing cash or cards, are scenarios of particular concern when it comes to security when travelling. People felt that withdrawing and carrying cash around while on holiday exposes them to higher risk. Our research showed that some people carry cash with them because this acts as a back-up in case their card is stolen, or in case the cash machine retains it. However, they don't consider cash to be a safer option; they just do it for want of a better solution. When alerted to the concept of prepaid cards for use in travel, 67% of people agreed that prepaid offers more security when travelling abroad.

For Timur from Turkey, the lack of a prepaid card means that he has to carry cash with him but, as he explains, he is open to using prepaid in this capacity now he realises it is available:

"I'll tell you why: there's always the risk of losing my cash or having it stolen. If your card is stolen or lost, it's safer. If you lose your cash or your wallet, you lose everything."



A prepaid travel-money card can solve many of the problems people face when they travel. The card can be used in lieu of one's normal debit or credit card, for increased levels of control and a greater sense of security. Having a prepaid card as an additional card while abroad 'just in case' is also a good solution for those who want an extra dimension of security but wish to avoid credit. Emma, from Brussels, is already using her prepaid card for travelling and explains the benefits from her perspective:

"If I go abroad, I put money onto the prepaid card because it means I can have some in reserve without having to have cash on me."

Another point related to travel and prepaid is the complexity around exchange rates. Because people have often made sacrifices to save money for their holidays, they want to ensure they get the best deal when exchanging their money into local currency. Most people we spoke to were completely unaware that prepaid travel cards allow exchange rates to be locked in at the time of purchase.

"If you have to withdraw with your normal card, they charge you commission. So that's why I have a prepaid travel-money card that has no commission on it. With that account you can withdraw from anywhere in the world and they don't charge you any commission. So that's a huge advantage. No bank offers that. Paying commission to banks or any other institution really makes me angry."

Ines, Spain

When this was mentioned during interviews, it was perceived as a powerful benefit and there was strong interest in hearing more. This was also demonstrated through the quantitative findings, which found that 64% of respondents think that prepaid offers an advantage of locking in exchange rates when travelling abroad. 64% of people surveyed considered prepaid as a cheaper alternative to cash when travelling abroad. This is an opportunity for prepaid travel-money issuers to better meet their customers' needs by raising awareness of the benefits of prepaid to them.

AN UNTAPPED OPPORTUNITY

This research clearly identifies a gap between what consumers are offered and what they need. This report highlights six opportunities for issuers based on current consumer behaviour:

1

Maintaining responsible finances

With 80% of consumers wanting to keep track of their finances, and regularly checking their balances, the control mechanisms that prepaid payment accounts offer could be of key importance to consumers.

2

Financial Control and Debt prevention

73% of consumers felt that prepaid could prevent them going into debt, an important benefit in the current climate of mistrust in the traditional banking sector.

3

Appealing to women and children

Women and children have very different financial needs, in managing the household budget and learning how to be responsible in the use of money, which creates an unmet need in current provision across the researched markets.

4

Managing international travel

Consumers often seek reassurance about financial management during trips abroad, and 67% agreed that prepaid offers more security when making cross-border payments.

5

An added level of online security

With online shopping becoming a social norm, prepaid offers a secure and convenient payment method for consumers, allowing them to shop safely online.

6

A card you can trust

Prepaid users were shown to be more financially savvy, demonstrating that they have found a way of successfully combining prepaid with their current payment card portfolio.

1. Unmet need: enabling responsible financial management

The public are clearly seeking to gain more control over their money, supported by the fact that:

- 80% of people like to keep track of their finances - particularly strong in Hungary (88%);
- 77% of people regularly check the balance of their current account - particularly strong in Spain (81%);
- 79% are aware of the credit limits associated with their credit cards.

Combining these numbers with the fact that, as demonstrated throughout this paper, people are already engaging in ad hoc money management behaviours like transferring funds and jam-jarring, there is a need for the benefits prepaid offers. People will not have to change their behaviours to experience the benefits of using prepaid – they are benefits which existing users are already experiencing, as demonstrated by the high levels of satisfaction. Once people begin using prepaid, they love it.

Non-prepaid users can see the potential of prepaid to enable them be better financial managers, once they are introduced to the concept. However, awareness of prepaid is relatively low, with the average across all researched markets at 48% (though in Hungary this jumps to 58%). Average future consideration of prepaid is also low at 24% (rising to 40% in Hungary), because currently people do not understand where prepaid fits within their financial repertoire.

These findings demonstrate that there is a gap in the market for greater financial control that is currently not being fulfilled. There is an opportunity for consumers to be educated about the existence of prepaid, how it works and, most importantly, how they can benefit.

Below is a diagram summarising the research with regards to how prepaid fits into people's current lives, how non-prepaid users can be encouraged to consider adding prepaid as 'a card on top of' their current portfolio, and finally, how this will benefit issuers.

Predisposed to prepaid



I like keeping track of my finances



I make most of the decisions on household expenditure, especially the more routine spending



I make lower value payments

Benefits for including in cards portfolio



Engendering Trust
Positive Interaction
Improved engagement
High satisfaction



First provider advantage with youth acquisition

Influencing behaviour to encourage usage



Easy
Intuitive
Low effort



Reinforced socially

2. Financial control: educating the consumer and encouraging advocacy

Financial control is already seen as a big advantage of prepaid when the concept is explained, with 69% of people thinking that a prepaid card is a tool that gives/could give them control of spending and 73% of respondents thinking that prepaid cards provide/could provide the advantage of preventing them from going into debt.

Not only that, prepaid doesn't have a negative connotation in the same way credit cards can, and it provides the added comfort in knowing that a user's current account is safe because only the amount available on the card can be spent, unlike using a debit card. Consumers can be introduced to prepaid as a complementary companion card to their debit or credit card, which is transparent in relation to fees, provides an added level of security, and the extra benefit of control.

With 64% of respondents stating that they try to avoid buying things on credit, the space for prepaid is only emphasised. The Dutch are significantly more reluctant to buy things on credit while the Turkish respondents are significantly less reluctant to buy things on credit. In the Netherlands, across both groups overall (prepaid users and non-prepaid users), the ability of prepaid to prevent respondents from running into debt comes through as the strongest advantage vs. other markets, signifying the financial control message is particularly relevant there.

Perhaps unsurprisingly, the notion of financial control, the ability to cap spending, and prevention of debt as advantages of prepaid, obviously resonates more strongly among prepaid users vs. non-prepaid users, because this group is already benefiting from those advantages. This is clearly demonstrated by the fact that 77% of prepaid users surveyed said they were satisfied. With this in mind, it is important to recognise that word-of-mouth recommendations amongst peer/social groups is one

way of establishing and reaffirming a need for prepaid. Currently, active advocacy is relatively limited at 24%, highlighting another opportunity to encourage prepaid users to share their positive experiences with others within their networks.



3. Engagement and acquisition: youth and women

Engagement with the youth segment offers great potential for prepaid, with financial education being seen as the top advantage for non-prepaid users: 70% of parents of children aged 13+ think an advantage of prepaid cards is that it is a good way to teach their children about money management. This is a strong message which clearly resonates with parents across the researched markets. Currently, parents are lacking a tool to aid them in their quest for early financial education for their children, and they definitely see there is potential for prepaid to help them achieve this goal.

Parents also want to maintain a level of control over their children's spending and foresee how prepaid can enable them to do this with two out of three parents thinking prepaid is a good tool to monitor and control how their children are spending money.

The need for better financial education along with keeping a check on children's spending is seen most strongly in Spain, Hungary and Turkey. In these markets, financial education and monitoring children's spend are the top advantages seen by non-prepaid users, and could be a good message for acquiring new prepaid users. In Turkey, the top three advantages of prepaid that the non-prepaid users comprehended were related to youth.

Not only is prepaid beneficial to parents and young people, there is also a commercial pay-off for issuers: a youth card provides a way for issuers to begin an early relationship with young people. Since customers tend not to switch once they have an established relationship with a financial organisation, prepaid offers an opportunity for issuers to take the first step to continued dialogue and the ability to introduce other financial products in due course.

Currently, issuers generally target men in their financial product communication materials. However, this research demonstrates that there is a real opportunity for issuers to actively target their marketing at women. Prepaid could assist in this conversation, providing a solution for women which will enable greater control in the financial tasks they are already managing.

Women are more engaged with their finances, with significantly more women keeping track of their finances vs. men (83% W vs. 78% M) and more women regularly checking the balance of their current account (79% W vs. 74% M). While communications targeted at women should be developed across all markets, the data shows that such initiatives would be particularly well-received in Hungary and Poland.

4. International travel

The vulnerability that some people experience while abroad drives them to be more cautious about controlling their finances on holiday. Prepaid offers a more secure solution to spending abroad and people are responsive to this message. 67% of people agreed that prepaid offers more security when travelling abroad and 64% think that prepaid offers an advantage of locking in exchange rates. Given that most people were unaware of this as a benefit before it was explained to them, focused customer education is crucial.

64% of people surveyed would consider prepaid as a cheaper alternative when travelling abroad. This illustrates that these messages are powerful when it comes to communicating with the public and there is a real opportunity for the international travel vertical to be a strong hook for increasing uptake. The strongest propensity for prepaid to be used in international travel was shown in Turkey and Spain.

5. Prepaid for added online security

Across markets, people actively engage in online shopping with six in 10 (58%) respondents stating that they like to shop online. They are aware of the potential security risks it presents, but in the moment continue to make purchases anyway. One in three respondents said that they are likely to increase their online-shopping frequency.

Prepaid can offer a secure and convenient payment method for consumers without exposing their wider accounts to risk, which many people are currently not aware of. Once again, marketing the message about how prepaid can fit within customers' card portfolios to enable peace of mind when shopping online offers a solid potential opportunity. However, challenging the local incumbent in terms of online payment will be key to success, since respondents are reluctant to change their current online payment methods, especially in Poland and Netherlands.

6. Regaining trust with prepaid

Prepaid users have more financial products than non-prepaid users, demonstrating that they are somewhat more financially savvy; prepaid offers them a greater level of financial control, which they are taking advantage of. For prepaid users, prepaid is a complementary product that sits amongst a wider portfolio of existing products. This represents an opportunity for issuers to position prepaid as a complementary companion card - which will provide an extra level of financial control to potential customers. This also represents an opportunity to increase the level of interaction between existing customers and their issuers, as well as a way to engage new customers with an easy-to-apply-for - and easy-to-manage - product. At a time when engagement with financial institutions is low, prepaid represents a way to start a fresh conversation with consumers.

One in three respondents does not feel close to his/her bank, half of respondents do not trust their own banks and only two in five trust financial providers in general. There is clearly a gap that needs to be bridged here. Customers in the researched markets have highlighted a desire for products which provide greater control and prepaid can fulfil this unmet need. Prepaid can help issuers to be seen as responding to the need for enhanced control, engendering a more trusting relationship and more positive interactions. This is particularly relevant in Spain, with Spanish respondents' scores representing the strongest in terms of disenchantment with issuers.

Looking to the future, it will be beneficial for institutions across the financial sector to remain updated on the needs of customers and respond to them accordingly.

This research has identified a number of market opportunities for prepaid that could help to facilitate a better customer experience for a range of fully-banked people across six markets in Europe. There is a clear need to provide consumers with more information on the benefits and features of prepaid, and how it can enable them to take greater control of their finances.

This communication will work best not by attempting to force customers to replace their existing products with prepaid, but by educating them on how prepaid can become a complementary card in addition to their existing payment methods to address a range of specific and unmet needs around financial education for young people, international travel concerns, online security and, crucially, avoiding overspending.

Promoting prepaid in this manner should result not only in more satisfied customers but represents a clear commercial opportunity for increased levels of engagement with current and new customers alike.

The findings of this research represent an opportunity for issuers to better enable their customers to take advantage of the 'power of prepaid' to improve their financial lives and in turn for customers to increase their level of trust in issuers.



