

Cardholder Use of General Spending Prepaid Cards: A Closer Look at the Market

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Contribution of Case Study

Expands upon previous industry studies by:

- Narrowly defining the “general spending” prepaid card market segment
- Using actual transaction data rather than consumer recall or antidotal information
- Avoiding seasonal variation by tracking transaction activity over 12 months
- Providing a baseline for future studies

Unique Case Study

- Cardholder data was randomly drawn from four firms in the industry
- Random sample of 500 cardholders drawn from each of the four firms – resultant active cardholder sample of 1,917
- Monthly loads, POS, and ATM transactions (number and dollar value) tracked over 12 months for each cardholder
- 2005-2006 time frame

Major Findings

On a monthly basis, cardholders:

- spend close to 100 percent of funds loaded
- use POS more frequently than ATM and spend most funds through this method
- follow market trend in making electronic payments

Average Cardholder Transactions

| Description of Transaction | Mean |
|--|----------|
| Number of loads per month | 1.04 |
| Average amount of each load made | \$179.69 |
| Number of POS transactions per month | 3.50 |
| Average amount of each POS transaction | \$ 39.48 |
| Number of ATM withdrawals per month | 0.77 |
| Average amount of each ATM withdrawal | \$ 41.35 |

Average Cardholder Utilization Rates

| | |
|--|-----|
| Monthly average total utilization rate | 92% |
| Monthly average POS utilization rate | 71% |
| Monthly average ATM utilization rate | 21% |

Key Trends - Overdrafts

- Overdrafts are the elephant in the room
 - For those that don't allow negative balances, declined vs. approved transactions are almost one to one
 - Others report high number of declines, but small as percent of all transactions

Key Trends - Additional Features

- Rewards
- Credit building
- Savings features
- Customization/personalization

Implications

Benefits to be gained from

- Standardization
- Consumer education
- Credit building and savings features

Future Research Topics

- Need consumers' perspective about
 - Motivation for card purchase and usage
 - Information/marketing methods, messages that resonate
- A clearer understanding about the conversion process from
card purchase → card activation → reloading for regular use
- Further benchmarking is needed