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

<table>
<thead>
<tr>
<th>Description of Transaction</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of loads per month</td>
<td>1.04</td>
</tr>
<tr>
<td>Average amount of each load made</td>
<td>$179.69</td>
</tr>
<tr>
<td>Number of POS transactions per month</td>
<td>3.50</td>
</tr>
<tr>
<td>Average amount of each POS transaction</td>
<td>$39.48</td>
</tr>
<tr>
<td>Number of ATM withdrawals per month</td>
<td>0.77</td>
</tr>
<tr>
<td>Average amount of each ATM withdrawal</td>
<td>$41.35</td>
</tr>
</tbody>
</table>
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