



DISCUSSION PAPER

PAYMENT CARDS CENTER

Millennials with Money:

A New Look at Who Uses GPR Prepaid Cards

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Summary: *Phoenix Marketing International is a top 40 Honomichl market research company that annually fields an omnibus financial services survey that collects information from a representative sample of American households. Beginning in 2012, the survey added a series of questions designed to gather data on ownership and use of general-purpose reloadable (GPR) prepaid cards. This paper reports on those findings, including the discovery of a “power user” segment of the market composed of young and mid- to upper-income consumers who own and use GPR cards at rates well above the market average. Younger adults also appear to be combining both mainstream and alternative financial services in ways that complicate some attempts to classify consumers as “banked” or “underbanked.”*

Keywords: General-purpose prepaid cards, Millennials, personal financial management, electronic payments

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I. Introduction

Almost since their introduction to the marketplace, general-purpose reloadable (GPR) prepaid cards have been perceived as a product for lower-income and unbanked individuals. Policymakers and pundits alike have discussed these products in the same breath with financially disenfranchised consumers. Certain high-profile applications have contributed to this impression. The U.S. Treasury Department, along with other government agencies and some employers, has embraced GPR cards as a means to distribute money electronically (such as Social Security benefits) to individuals unable to receive direct deposit because they do not have bank accounts. Such applications, however, constitute but one of more than 30 vertical markets that make use of prepaid cards. The target markets of many of these verticals, including those employing the GPR version of prepaid cards, encompass fully banked individuals of average to above-average incomes.¹

In fact, research fielded in August 2013 by market research firm Phoenix Marketing International (Phoenix) found a strong and growing adoption of GPR among middle- and higher-income and high-net-worth households. Consumer take-up of GPR cards skews heavily to younger consumers, according to the research. Using self-reported information on GPR cardholder transaction and reloading activity, Phoenix identified a “power user” segment of the market composed of households headed by individuals who are both young and have a high income. The data suggest that segments of the population, different from those who were targeted by early large-scale government and corporate prepaid initiatives, are entering the market through new gateways to GPR adoption. Differences in usage patterns between upper-income and lower-income users are observed, but surprisingly similar attitudes toward GPR cards exist across the income spectrum.

The research found other indications inconsistent with a broad categorization of the GPR prepaid card as a product for the unbanked and underbanked. Survey responses revealed fairly high co-ownership of GPR cards along with other bank products, including checking accounts, even among lower-income households and those who self-report their credit status as nonprime.

¹ Mercator Advisory Group has identified 33 vertical markets using either open-loop or closed-loop prepaid cards. A sample of these verticals includes transit, gift, employee benefit, campus, and payroll cards. See “Prepaid Market Overview,” Mercator Advisory Group (February 2010).

The picture of GPR prepaid cards that emerges from the Phoenix research is one of a product that, with some variation in targeting and delivery channels, can reach a number of mass market segments, including middle- and higher-income households that use a range of banking services. In fact, the survey found evidence of a group that might be described as hybrid financial services consumers, mainly consisting of young adults and including some lower-income households. These consumers fuse traditional banking services with a complement of new and alternative options for conducting transactions and managing finances.

Phoenix first included questions pertaining to general-purpose reloadable prepaid cards in its annual omnibus survey in 2012. This paper will discuss selected findings from the 2013 survey and comparisons with the 2012 responses. Because the low-income and underbanked segments of the GPR market have been well reported by other sources, the primary focus of this paper will be on the segments that are different from those. We will draw some inferences about what adoption within these additional markets might mean for the future direction of GPR prepaid cards. These are the key findings that will be covered in this paper:

- Age, not income, seems to be the characteristic most related to adoption. There is a direct relationship between age and ownership of a GPR prepaid card, with ownership rates highest among the youngest adults and declining in each progressively older age group.
- Along with age, income, however, is associated with those identified as “power users.” Usage metrics are highest in households headed by 18- to 48-year-olds with annual incomes of \$50,000 or more. Power users also express stronger intentions for future usage than do other GPR customers.
- GPR cardholders across the age and income spectrums shared certain attitudes about prepaid cards, particularly in preferring them to cash and with the perception that the cards play a positive role in financial management.
- GPR cardholders in the survey showed high co-ownership of traditional banking products, with 90 percent also having checking accounts. Their basket of payment and financial services, however, may differ from that of the “traditional” bank customer.
- Early commercial applications of prepaid cards may have influenced the composition of cardholders during the first decade of GPR prepaid cards. As the product has evolved, it is

reaching new consumer segments (or reaching them in different proportions) that are dissimilar from those who obtained cards through government and corporate programs.

II. Background

A. Phoenix Marketing International's *Consumer Payments Monitor*

Phoenix is a top 40 Honomichl² research company, conducting primary and syndicated research in a wide range of practice areas, including financial services, health care, insurance, consumer packaged goods, automobile, travel and leisure industries, affluent markets, technology, and media. As part of its syndicated research in the financial services sector, Phoenix conducts an annual online survey, the *Consumer Payments Monitor*, with thousands of U.S. households. The *Consumer Payments Monitor* collects information on a wide range of traditional, alternative, and emerging consumer payment options (including mobile wallets and prepaid cards) from individuals aged 18 years or older who are financial decision-makers for their households.³ Participants are queried about the methods they use for purchase activity (both physical point of sale and online) and for paying bills. The respondent sample includes consumers who operate both within and outside the traditional banking system. The survey collects profiling data, including age, income, wealth (as measured by investable assets), credit risk, household composition, small or home business ownership, and other characteristics.

The 2013 *Consumer Payments Monitor* was fielded in August 2013 and yielded 4,201 completed surveys. In 2012, the survey was also fielded in August and returned 4,200 completed surveys. Sample distributions for age, income, and geography were examined for alignment with the Department of Labor's Current Population Survey (CPS) benchmarks. Accordingly, all percentages and indices reported in this document are based on data weighted to align with CPS.

² The Honomichl list, described by Wikipedia as the "Fortune 500 list of market research firms," was compiled for nearly 40 years by former *Advertising Age* columnist Jack Honomichl, who died in December 2013. The list, which includes such household names as Nielsen and J.D. Power and Associates, is based on research revenues earned and is published annually in *Marketing News*, a publication of the American Marketing Association.

³ To qualify for the survey, respondents must 1) be solely or jointly responsible for household financial decisions, 2) make all or most of the purchases or bill payments for the household, and 3) not work at a financial services company, an advertising agency, or a marketing research company. For some questions, the qualified respondent, or "consumer," answers for the entire household; for other questions (e.g., attitudinal), the consumers answer for themselves as individuals.

For analytical purposes, Phoenix uses four generational categories, which are based on the age of the respondents as of August 2013:

1. Millennials aged 18–32
2. Generation X aged 33–48
3. Baby Boomers aged 49–67
4. The Greatest Generation aged 68 or older

B. The Survey’s GPR Prepaid Section

In 2012, the *Consumer Payments Monitor* introduced a new section designed to gather data on GPR card ownership and use. The following operational definition of a GPR prepaid card was presented to survey participants:

“Reloadable prepaid cards, sometimes called ‘prepaid debit’ cards or accounts, are not linked to a checking account but can be an alternative to a checking account. You can deposit your income or other money on the card. Purchase amounts, bill payments or ATM withdrawals are deducted from the cash value loaded on the card.”

This description was intended to focus respondent attention on the GPR category of prepaid cards, as opposed to nonreloadable or limited-use varieties, such as gift cards. The definition was also intended to distinguish a GPR prepaid card from a debit card linked to a checking account.

After reviewing this description, survey respondents were asked a series of questions to determine their awareness and ownership of cards meeting the description. The ownership question specifically mentioned the general-purpose card networks to minimize inclusion of prepaid cards with limited acceptance and utility:

“Does your household own a prepaid card with any of the following logos — Visa, MasterCard, American Express or Serve, Discover, PayPal?”

Among the 4,201 completed surveys, an unweighted sample of 983 included a yes response to this question. This group forms the basis for the results discussed in this paper. These affirmative responses were cross tabulated with findings from other sections of the survey to

create a more fully articulated depiction of the GPR consumer. Analyzing GPR cardholders' responses to questions from the broader survey permits a view into their ownership of checking accounts and other financial services, their use of technology, and their assessments of their current and future financial circumstances.

III. Summary of Findings

A. Topline Comparisons Between 2012 and 2013 Responses

In both years, more than 81 percent of those surveyed were familiar with GPR prepaid cards, with ownership increasing year over year. In 2013, 25 percent of respondents reported owning a GPR card, an ownership rate that is significantly higher (at the 95 percent confidence level) than the 21 percent rate reported by respondents to the August 2012 *Consumer Payments Monitor* survey. In one year's time, GPR prepaid card ownership expanded from one out of five consumers to one in every four, and the increase occurred primarily among younger consumers and those with higher incomes. Ownership by households in the \$50,000–\$99,999 income cohort (\$50k–\$99.9k) increased by 10 percentage points (from 16 percent in 2012 to 26 percent in 2013). Ownership in households with incomes of \$100,000 or more (\$100k+) increased 9 points, while ownership dropped 1 point in the \$25,000–\$49,900 income cohort (\$25k–\$49.9k) and increased only 2 points in the \$25,000 and below segment (<\$25k).

Table 1. Incidence of GPR Prepaid Card Ownership Within Income Groups⁴

	% Own (August 2013)	% Own (August 2012)	Significant Difference @ the 95% Confidence Level
Total	25%	21%	Yes
<\$25k per Year	28%	26%	No
\$25k–\$49.9k per Year	21%	22%	No
\$50k–\$99.9k per Year	26%	16%	Yes
\$100k+ per Year	27%	18%	Yes

More than 50 percent of higher income respondents reported that they had started using their prepaid card just in the past year. The uptake in adoption among higher income households

⁴ Percentages in the tables in this paper are rounded if percentages sum to 100 percent and column percentages should sum to 100 percent. In cases where rounded percentages should sum to 100 percent but do not, then nonrounded percentages are shown. The issue of rounding is not applicable to multiple response tables.

was likely a factor in the higher average income for GPR card owners in 2013 compared with 2012. In 2012, the average household income for GPR card owners was \$55,347, less than the average among the nonowner population (\$60,801). In 2013, GPR cardholders' average income was \$63,217 and exceeded the average income (\$61,402) among the nonowner population.⁵

In both 2012 and 2013, about two-thirds of GPR card owners reported paying some type of fee related to ownership or use of the card. In both survey years, the cumulative monthly outlay for fees averaged between \$5 and \$6 among those paying a GPR card fee. The proportion of cardholders paying reload or activation fees was unchanged in 2013. Slightly fewer reported paying a monthly fee, while customer service contact fees and transaction fees were reported by a greater percentage in 2013 than in 2012. As Table 2 shows, the percentage of cardholders who paid a money transfer fee doubled from 2012 to 2013. However, it is uncertain whether this fee was charged by the card issuer or by the money transfer service provider.

Table 2. Incidence and Type of Fees Paid on GPR Cards

	% Paying Fee Type (August 2013)	% Paying Fee Type (August 2012)	Significant Difference at the 95% Confidence Level
Pay Any Fee (Net)	68%	64%	No
Reload Fee	38%	38%	No
Activation Fee	27%	27%	No
Monthly Fee	27%	29%	No
Money Transfer Fee	18%	9%	Yes
Transaction Fee	17%	12%	Yes
Customer Service Contact Fee	7%	4%	Yes
Typical Month Average Monthly Fee Among Fee Payers	\$5.80	\$5.40	No

Among cardholders reloading value to their cards, the average reload amount and frequency were similar year over year. In both 2012 and 2013, 59 percent loaded value at least once per month, and the average amount of reload was about \$80.

⁵ Different data-gathering sources and methodologies result in different findings, including that of average income. For example, the American Community Survey (ACS), conducted by the U.S. Census Bureau, reports a somewhat higher average income than that found by the *Consumer Payments Monitor*. The ACS includes in household income all earnings of individuals 15 years of age or older, regardless of whether they are related to the householder. In addition, the ACS income data were collected over a 12-month span, whereas in the *Consumer Payments Monitor*, income data are collected in a single month (August 2013).

B. Ownership and Use by Age

Ownership of a GPR card directly correlates with age, with highest ownership rates observed in the youngest age cohort and declining in each progressively older generation. Nearly half (45 percent) of Millennials (18–32) reported owning a GPR card and about one-third (35 percent) of Generation X consumers indicated ownership.

Table 3. Incidence of GPR Prepaid Card Ownership Within Age Group

	% Own (August 2013)	% Own (August 2012)	Significant Difference @ the 95% Confidence Level
Total Consumers	25%	21%	Yes
Millennials (18–32)	45%	34%	Yes
Generation X (33–48)	35%	27%	Yes
Baby Boomers (49–67)	18%	16%	No
Greatest Generation (68+)	4%	4%	No

Overall, the average age of GPR card owners in the survey was 41, substantially lower than the average age of non-GPR card owners (54). Only the two youngest age groups, Millennials and Generation X, reported significantly higher ownership rates in the 2013 survey than the 2012 survey.

Older consumers not only make up the smallest portion of the GPR market, their ownership is well below their representation in the population. Table 4 displays the distribution of GPR card owners by age group and compares this distribution with each group's representation in the household universe. It reveals ownership rates among younger consumers that are disproportionately higher than their presence in the population, while the inverse is found in the older age groups: Among households headed by those in their late 40s or older, GPR card ownership occurs at a rate disproportionately lower than their presence in the population.⁶

⁶ The age of the head of household is a data element captured in the survey and used for segmentation. The primary user of the GPR card, however, could be anyone in the household.

Table 4. Distribution of GPR Cards and Transaction Share by Age Group

	% GPR Card Owners (n=983)	% Total Households (n=4,201)	Index (Owners: Total HHs)	% Past-Month GPR Card Transactions Among Those Who Used a Card That Month
Total Consumers	100.0%	100.0%		100%
Millennials (18–32)	32.9%	19%	177	44%
Generation X (33–48)	37.7%	28%	136	38%
Baby Boomers (49–67)	26.6%	37%	71	16%
Greatest Generation (68+)	2.8%	16%	17	2%
Aged 18–48	71%	46%	153	82%
Aged 49+	29%	54%	55	18%

Shaded figures represent segments with concentrations of GPR cardholders that are high relative to that segment’s representation in the household universe.

Note: Indices in Table 4 and throughout this paper are calculated from exact (nonrounded) data values.

The majority (71 percent) of owners belong to the Millennial and Generation X groups, which represent less than half (46 percent) of total households. Baby Boomers (the largest segment, accounting for 37 percent of households), represent 27 percent of the GPR card ownership population. While the Greatest Generation represents 16 percent of the general population, it accounts for only 3 percent of GPR cardholders. Also of note is that *no one* older than 75 years of age indicated ownership of a GPR card.

The last column on the far right in Table 4 also shows the share of past-month GPR card transactions accounted for by each age cohort. The two youngest groups account for more than eight in 10 transactions. Usage among Millennials is particularly high. Compared with the averages for all GPR cardholders, Millennials were more likely to have used their cards in the month prior to completing the survey (83 percent versus an average of 78 percent), used them more frequently (7.7 times in the previous month compared with an average of 6.2 times), and spent more than their counterparts (\$134 in the previous month compared with an average \$116).

These observations of age, adoption, and usage persist even when income is considered, as we will explore in the following section. They are also consistent with the expectations that would have emerged from product development research into the general-purpose prepaid card concept. Trends in consumer payment methods have revealed increasing use of cards among all

but the oldest consumers. These preferences relate strongly to the payment products available as each generational wave came of age. The Greatest Generation was the first for whom consumer checking accounts were nearly universally available. Members of that generation formed their payment habits around check writing, and those habits persist to this time. Bank franchisees of BankAmericard and MasterCharge (the precursors of Visa and MasterCard) became popular as the early Boomers were entering adulthood. When they were young adults, this group, as well as older Generation Xers, adopted credit cards and have continued to prefer their use.

For younger Generation Xers and (especially) for Millennials, debit cards have been the clear favorite. Younger adults use debit to the near exclusion of checks and even cash.⁷ Given the clear linear path away from paper and deposit account-centric payment products to electronic, card-based methods, a payment card untethered to another bank product, whether a transaction account or a line of credit, would be a logical evolution in product development. Given the correlation between age and product adoption, it is not surprising that the first general-purpose prepaid card product launched by Visa was Buxx.⁸ Designed for and targeted to young adults, teenagers, and parents of teens, Buxx can be used for transactions at ATMs and for merchants who contract to participate in the Visa network. With a year 2000 product launch, Buxx is a quintessential Millennial generation product.⁹

C. Ownership and Use by Income

While GPR card ownership skews strongly by age, adoption rates are more uniform across income groups, as previously shown in Table 1. While the poorest households hold GPR cards at a rate higher than their representation in the population, the same is true (although less prominently) among upper-income households. The \$25k–\$49.9k segment is the only income group to own GPR cards at a rate lower than its representation in the population.

⁷ Evidence of this can be found in the annual “Federal Reserve Survey of Consumer Payment Choice” (<https://www.bostonfed.org/economic/cprc/data-resources.htm>). “The Visa Payment Panel Study” reveals similar findings. See Susan Herbst-Murphy, “Trends and Preferences in Consumer Payments: Lessons from the Visa Payment Panel Study,” Federal Reserve Bank of Philadelphia (May 2010).

⁸ Travel Money, an earlier introduction, was limited to ATM use only, could not be used to make point-of-sale purchases, and was not designed to be reloadable.

⁹ Visa issued a press release introducing Buxx on August 9, 2000 Business Wire, (August 9, 2000): <http://www.thefreelibrary.com/Visa+Introduces+Buxx+Parent-Controlled,+Re-loadable+Payment+Card+for...-a063964112>.

Table 5 shows the distribution of GPR card owners by income group and compares this distribution with each group’s representation in the household universe. The column at the far right presents the share of the previous month’s transactions accounted for by that income group. Roughly half of GPR card owners (52 percent) fall in the lower two income brackets (<\$50k) and do about 44 percent of total transactions. The remaining half (48 percent) are in the upper two brackets (\$50k+) and do about 56 percent of total transactions. Even the highest income group (\$100k+) owns GPR cards in just slightly higher proportion than its representation in the population.

Table 5. Distribution of GPR Cards and Transaction Share by Income Group

	% GPR Card Owners (n=983)	% Total Households (n=4,201)	Index (Owners: Total HHs)	% Past-Month GPR Card Transactions Among Active Users
Total	100%	100%		100.0%
<\$25k per Year	31%	28%	110	23.8%
\$25k–\$49.9k per Year	21%	26%	83	19.8%
\$50k–\$99.9k per Year	30%	29%	102	33.5%
\$100k+ per Year	18%	17%	105	23.0%
<\$50k per Year	52%	54%	97	43.5%
\$50k+ per Year	48%	46%	103	56.5%

To further evaluate the presence of GPR cards in lower- versus upper-income households, Table 6 displays the distribution of GPR card owners across an extended group of income categories. In this expanded view, a general sense of proportionality is observed between the distribution of GPR owners and the distribution of households. Even in the very highest income bracket (\$200k+), which comprises 3 percent of the household universe, 4 percent hold GPR prepaid cards and account for 4.3 percent of transactions. The highest ownership indices are scattered across the income spectrum rather than being concentrated in the lowest income groups, a cluster pattern that would be expected for a product designed for low-income consumers.

Table 6. Distribution of GPR Cards by Expanded Income Groups

	% GPR Card Owners (n=983)	% Total Households (n=4,201)	Index (Owners: Total HHs)
Total	100.0%	100.0%	
<\$20k per Year	23.5%	21.5%	109
\$20k–\$34.9k per Year	18.3%	18.8%	97
\$35k–\$49.9k per Year	10.5%	13.5%	78
\$50k–\$74.9k per Year	19.5%	18.2%	107
\$75k–\$99.9k per Year	10.0%	10.6%	94
\$100k–\$124.9k per Year	5.5%	5.1%	108
\$125k–\$149.9k per Year	4.6%	5.0%	93
\$150k–\$199.9k per Year	4.0%	4.3%	92
\$200k+ per Year	4.1%	3.0%	140

As might be expected, GPR cardholders with higher incomes have higher activity rates, higher spending volume, and higher reload metrics. Among cardholders with incomes below \$50k per year, 71 percent had used their cards in the month prior to survey completion. This compares with 86 percent for the \$50k–\$99.9k category and 83 percent in the \$100k+ cohort. Lower income groups used their cards an average of 5.1 times in the previous month compared with 7.3 times for the highest income tier and 6.3 times for the second highest. The two upper income groups accounted for 64 percent of heavy spenders: those who used their cards to make more than \$200 in purchases per month during the month prior to survey completion. Of these two tiers, 61 percent loaded value at least once per month compared with 55 percent in the \$25k–\$49.9k income group and 58 percent of those with incomes less than \$25k. Reload value directly correlated with income. For GPR-owning households with incomes of \$100k or higher, the average reload value was \$98. This is compared with \$85, \$78, and \$60 in the three successively lower income categories.

These results suggest that the GPR card market spans a broad spectrum of the population, including individuals who are neither low income nor unbanked. These findings will be developed in greater length in Section V. Income-related adoption, like that related to age, would reflect the research expectations that supported the development of GPR prepaid cards. For a payment product to have good potential for success, its target market should include those who do sufficient spending to generate scale and returns on investment. High-income and high-net-worth households spend more, use more kinds of financial products, and patronize a greater

number of financial services providers than do households with lower income and wealth. This has been true for many banking and investment products introduced into the market, and GPR prepaid cards appear to be no exception.

IV. GPR Prepaid “Power Users”

Having established that the highest GPR prepaid card use occurs among younger consumers and among higher income households, we next explored whether there are niches, comprising cardholders who are both younger *and* have a higher income, with usage that is well above average. As the tables in this section will illustrate, the data confirmed this hypothesis. The combination of young age and high income reveals a group of cardholders whose outsized use is moving the market in GPR prepaid cards.

A. Age Trumps Income in the Adoption Hierarchy

Table 7 shows that age is the primary determinant of GPR ownership, with high income influencing adoption within peak ownership age groups. The incidence of GPR card ownership is high for Millennial and Generation X cohorts across income bands within each group. The highest indices (relative to presence in the population) are shown for Millennials earning \$50k or more and Generation X cohorts earning \$100k+. The indices of GPR ownership to presence in the population are low across all income bands within the Baby Boomer and Greatest Generation cohorts.

Table 7. Distribution of GPR Card Owners by Income Within Age Groups

Age Segment and Average Annual Household Income	% GPR Card Owners (n=983)	% Total Households (n=4,201)	Index (Owners: Total HHs)
Total	100.0%	100.0%	
Millennials <\$50k	18.0%	10.8%	167
Millennials \$50k–\$99.9k	10.6%	5.5%	193
Millennials \$100k+	4.5%	2.3%	191
Generation X <\$50k	17.7%	12.9%	138
Generation X \$50k–\$99.9k	10.4%	9.1%	115
Generation X \$100k+	9.5%	5.7%	165
Baby Boomers <\$50k	14.5%	19.5%	74
Baby Boomers \$50k–\$99.9k	7.9%	10.4%	76
Baby Boomers \$100k+	4.1%	7.3%	56
Greatest Gen <\$50k	2.2%	10.8%	20
Greatest Gen \$50k–\$99.9K	0.4%	3.7%	12
Greatest Gen \$100k+	0.2%	2.0%	8

Note: Shaded rows in this table highlight segments with high concentrations of GPR cardholders relative to that segment’s representation in the household universe.

B. Beyond Adoption: The Metrics That Define “Power Users”

Once they have a GPR card in their wallets, households headed by members of the Millennial and Generation X cohorts who earn \$50,000 a year or more are more likely to use their GPR cards and use them more frequently and for higher-ticket purchases. Consequently, reload activity in these groups also outperforms other segments and GPR cardholders as a whole.

As Table 8 demonstrates, past-month active use reaches its highest point (96 percent) among Millennials earning \$100,000 a year or more. Upper-income Millennials also exhibit higher usage frequency, with Millennial-headed households in the \$50k–\$99.9k income group using their cards most frequently. Their average of 10.1 uses per month is 1.6 times the overall average reported by the entire base of GPR card users.

Table 8. GPR Prepaid Cardholders Using a Card at Least Once in Past Month

	% Active GPR Card Owners	Average # Times Used in Past Month Among Those Using a Card That Month
% Active Total GPR	78%	6.2
Income Within Age Segments		
Millennials <\$50k	75%	5.7
Millennials \$50k–\$99.9k	90%	10.1
Millennials \$100k+	96%	8.8
Generation X <\$50k	74%	5.9
Generation X \$50k–\$99.9k	90%	4.9
Generation X \$100k+	81%	7.8
Baby Boomers <\$50k	63%	5.1
Baby Boomers \$50k–\$99.9k	79%	2.9
Baby Boomers \$100k+	77%	3.9
Greatest Gen (All Incomes)*	65%	5.3

** The Greatest Generation sample size is too small to break out by income groups.*

Note: Shaded rows in this table highlight particularly high active-use rates compared with the overall average usage frequency of 6.2 times per month.

Higher average per-card spending (Table 9) is associated with higher income in all age groups. However, because of lower rates of ownership among the Boomers and the Greatest Generation, their total expenditures account for a very small share of total GPR spending. Table 10 shows the influence of the upper-income Millennial and Generation X adopters on the number of transactions performed using GPR cards.

Table 9. Average Past-Month Spending on GPR Cards (Among Those Who Used a Card That Month)

All Active GPR Users	\$116
Income Within Age Segments	
Millennials <\$50k	\$117
Millennials \$50k–\$99.9k	\$142
Millennials \$100k+	\$173
Generation X <\$50k	\$99
Generation X \$50k–\$99.9k	\$142
Generation X \$100k+	\$94
Baby Boomers <\$50k	\$103
Baby Boomers \$50k–\$99.9k	\$72
Baby Boomers \$100k+	\$144
Greatest Gen (All Incomes)*	\$85

* The Greatest Generation sample size is too small to break out by income groups.

Note: Shaded rows in this table highlight segments with significantly higher past-month spending than the overall GPR card average of \$116.

Table 10. Distribution of Transactions by Income Within Age Group

	Distribution of GPR Card Transactions	Distribution of Past-Month GPR Card Users	Index (Transaction Share: Active User Share)
Total	100.0%	100.0%	
Income Within Age Segments			
Millennials <\$50k	16.2%	17.4%	93
Millennials \$50k–\$99.9k	19.9%	12.1%	164
Millennials \$100k+	7.8%	5.5%	141
Generation X <\$50k	16.0%	16.8%	95
Generation X \$50k–\$99.9k	9.6%	12.1%	79
Generation X \$100k+	12.5%	9.9%	127
Baby Boomers <\$50k	9.6%	11.7%	82
Baby Boomers \$50k–\$99.9k	3.8%	8.1%	47
Baby Boomers \$100k+	2.6%	4.0%	64
Greatest Gen (All Incomes)*	2.0%	2.4%	87

* The Greatest Generation sample size is too small to break out by income groups.

Note: Shaded rows in this table highlight segments that conduct a share of transactions that is disproportionately higher than that segment’s share of active past-month users.

Table 11 takes a closer look at the dollar volume of spending by income within age segments. From this view, it can be demonstrated that the cohorts indexing high in spending volume are Millennials with household income of \$50k+; Generation X users with household income of \$50k+; and Baby Boomers with incomes of \$100k+ per year.

Table 11. Distribution of Spending Volume (\$) by Income Within Age Group

	% GPR Card Spending Volume	Distribution of Past-Month GPR Card Users	Index (Spending Volume: Users)
Total	100.0%	100.0%	
Income Within Age Segments			
Millennials <\$50k	17.5%	17.4%	101
Millennials \$50k–\$99.9k	14.9%	12.1%	122
Millennials \$100k+	8.3%	5.5%	149
Generation X <\$50k	14.3%	16.8%	85
Generation X \$50k–\$99.9k	14.9%	12.1%	123
Generation X \$100k+	8.0%	9.9%	81
Baby Boomers <\$50k	10.4%	11.7%	89
Baby Boomers \$50k–\$99.9k	5.0%	8.1%	62
Baby Boomers \$100k+	5.0%	4.0%	124
Greatest Gen (All Incomes)*	1.7%	2.4%	73

** The Greatest Generation sample size is too small to break out by income groups.*

Note: Shaded rows in this table highlight segments that account for a high share of GPR dollar spending relative to that segment’s share of active past-month users.

It is not surprising to find that higher income groups, given their usage frequency and spending amounts, reload their cards with higher dollar amounts. This is consistently true across age groups (see Table 12). Among all age-income subgroups, the highest average reload value is \$117 for Millennials earning \$100k+. (The all-cardholder reload average is \$78.) Higher income Millennials are also the most likely to reload at least once per month. More than 80 percent of Millennials with incomes of \$100k+ reload at least once per month, as do three-quarters of those earning between \$50k and \$99.9k. This compares with less than 60 percent of all GPR cardholders who report topping off their cards at least monthly.

Table 12. Reload Value and Frequency by Income Within Age Group

	Average Reload Amount by Segment	% Reloading “at Least Once a Month”
Total	\$78	59%
Income Within Age Segments		
Millennials <\$50k	\$56	60%
Millennials \$50k–\$99.9k	\$84	74%
Millennials \$100k+	\$117	81%
Generation X <\$50k	\$67	60%
Generation X \$50k–\$99.9k	\$89	62%
Generation X \$100k+	\$90	61%
Baby Boomers <\$50k	\$80	49%
Baby Boomers \$50k–\$99.9k	\$83	42%
Baby Boomers \$100k+	\$92	42%
Greatest Gen (All Incomes)*	\$81	56%

* The Greatest Generation sample size is too small to break out by income group.

Note: Shaded rows in this table highlight segments with higher-than-average reload activity.

V. GPR Cardholders: Operating Inside or Outside the Mainstream?

A. A Look at GPR Ownership by Banking Status

Much of the discourse to date regarding GPR prepaid cards has focused on underbanked populations. Definitions and sizing estimates for this group vary. Respondents within the *Consumer Payments Monitor* database were classified as underbanked if they met any of the criteria included in Table 13: Within each row, the figures under the “Own a GPR Card” column are significantly higher than the figures in the “Don’t Own a GPR Card” at the 95 percent confidence level.

Table 13. Criteria for Identifying Underbanked Consumers in the Survey Data

	Don’t Own a GPR Card	Own a GPR Card	Total Households	Index Own GPR Card: Total
Don’t Own a Checking Account	3%	10%	4%	226
Used Alternative Financial Services in Past Year*	6%	30%	12%	244
Use Cash or Money Order to Pay 3+ Monthly Bills	7%	20%	10%	197

* Used Western Union, MoneyGram or check-cashing services in the past year to transfer funds electronically.

Based on the previously noted criteria, a net of 22 percent of total respondents in the 2013 *Consumer Payments Monitor* database were classified as underbanked.¹⁰ Looking at underbanked status among owners/nonowners of GPR cards, however, reveals that GPR owners are much more likely than the total population to be underbanked. Table 14 reveals that the underbanked rate among GPR cardholders (48 percent) is more than three times that among nonGPR cardholders (14 percent), while also showing that, among GPR cardholders, 52 percent can be considered “banked.” This supports the previously reported importance of GPR cards to underbanked consumers while illustrating that more than half (52 percent) of GPR cardholders are banked. This latter statistic supports the view of the GPR card market that informs this paper: **The GPR card market composition and opportunity is not solely confined to the underbanked and lower income populations.**

Table 14. Banked versus Underbanked Status by GPR Card Ownership

	Don't Own a GPR Card	Own a GPR Card	Total Households	Index Own GPR Card: Total
Banked	86%	52%	78%	68
Underbanked	14%	48%	22%	213

While GPR card owners are less likely than nonowners to have a checking account or general-purpose credit or charge card, the majority still do. Table 15 cross-references the ownership of various financial services with GPR card ownership status. Ninety percent of GPR prepaid card owners have a checking account, 85 percent have a debit card, and 75 percent have a general-purpose credit or charge card. These three measurements indicate that a majority of GPR cardholders have a range of financial services options that include mainstream banking products.

In addition to these three key product ownership measures, Table 15 provides a detailed look at other financial products co-owned by GPR cardholders. The indices in this table provide

¹⁰ As an example of how underbanked status can be defined differently, the Federal Deposit Insurance Corporation's National Survey of Unbanked and Underbanked Households, conducted in 2011, categorized a household as underbanked if it had a checking and or savings account *and* had used any of the following in the prior 12 months: nonbank money orders, nonbank check-cashing services, nonbank remittances, payday loans, rent-to-own services, pawn shops, or refund anticipation loans. According to its definition, the FDIC found 28.3 percent of households that were either unbanked (no deposit account) or underbanked.

a relative comparison of ownership of the various financial services products by those having GPR prepaid cards with ownership of the same products among all households. Using this index, for example, we can see that ownership of checking accounts is slightly lower among GPR cardholders than among the surveyed universe of households, but ownership of student credit cards among GPR prepaid cardholders far exceeds that among all households.

The *Consumer Payments Monitor* asks respondents to self-assess their creditworthiness. Among those GPR prepaid card owners whose criteria indicated an underbanked status, more than one-third (37 percent) indicated that they have “good or excellent” credit. The remaining 63 percent indicate they are either “building a new credit history” or are “rebuilding a good credit” rating. Given the high rate of GPR prepaid card ownership among young consumers, a disproportionate number of individuals without credit bureau files (or with thin files) who are building a credit history would be expected. After accounting for this group, the GPR market still contains a nonprime component: 20 percent of GPR owners both are underbanked and have indicated that they are attempting to rebuild their credit standing. However, as shown in Table 16, a majority of both the self-identified “nonprime” underbanked and the “prime” underbanked segments have payment options at their disposal that involve a checking account, debit card, and a general-purpose credit or charge card.

Table 15. Co-ownership of Other Financial Services Products

	Don't Own a GPR Card	Own a GPR Card	Total Households	Index Own GPR Card: Total
Own Checking Account	97%	90%	96%	94
Own Debit Card	84%	85%	85%	101
Own GP Credit or Charge Card	82%	75%	80%	94
Own Business Credit Card	13%	28%	17%	166
Operate a Home or Small Business*	11%	31%	16%	190
Own Private Label Credit Card	44%	42%	43%	97
Own Private Label Gift Card	10%	28%	15%	189
Own an Electronic Benefits Transfer Card	12%	27%	15%	172
Own Student Credit Card	2%	12%	5%	261
Own Secured Credit Card	2%	13%	5%	250
Own Shopping Club Payment Card ¹¹	5%	14%	7%	196

* This is shown not as a financial product but as a data observation related to business credit card ownership.
 Note: The shaded figures denote that ownership of these financial services products among owners of GPR cards is statistically different (at the 95% confidence level) from nonowners of GPR cards.

Table 16. Ownership of Financial Services Products Among Underbanked GPR Cardholders in Nonprime and Prime Categories

	Nonprime Underbanked*	Prime Underbanked**	Total GPR Underbanked
Own Checking Account	78%	85%	79%
Own Debit Card	78%	77%	78%
Own GP Credit or Charge Card	71%	82%	75%
Own Business Credit Card	32%	41%	36%
Operate a Home or Small Business	43%	34%	40%
Own Private Label Credit Card	33%	50%	40%
Own Private Label Gift Card	30%	36%	33%
Own an EBT Card	36%	21%	31%
Own Student Credit Card	19%	13%	17%
Own Secured Credit Card	19%	20%	19%
Own Shopping Club Payment Card	20%	23%	21%

* Nonprime Underbanked: 63% of the members of the GPR cardholder underbanked segment who indicate they are either establishing new credit or rebuilding a good credit rating.

** Prime Underbanked: 37% of the members of the GPR cardholder underbanked segment who report having a good or excellent credit rating.

¹¹ In the Phoenix survey, respondents were asked if they owned “a shopping club payment card” without further explanation. The question was intended to identify people who used a nongeneral-purpose payment card that could be used for selected purchases within the “club” (such as USA Shopping Club payment card) or purchases within specific retail location (such as a Sam’s Club payment card).

This way of looking at the GPR market — by underbanked status according to criteria used by Phoenix and by credit status self-reported by the respondent — is subjective by necessity. There is no universally accepted standard by which one is determined to be underbanked, and there was no objective validation of respondents’ own assessment of their credit standing. With those limitations acknowledged, Table 17 provides an illustration of how closely the GPR market may conform to certain stereotypes. Looking at three important usage metrics — transaction frequency, spending dollars, and reload dollars — Table 17 shows that the majority of GPR card spending is done by those who are categorized in the Phoenix analysis as either “banked” or “prime underbanked.” Based on their reported use of payment services as well as their own evaluation of their ability to obtain credit, the respondents responsible for more than half of GPR prepaid activity do not appear to be isolated from mainstream services. The remaining activity, however, is not insubstantial and was conducted by individuals who may not have access to a full range of financial services.

Table 17. GPR Card Market Volumetrics by Banking Status

	% Past-Month GPR Transactions	% Past Month GPR Spending Dollars	% Typical Month Reload Dollars
Banked and Underbanked GPR Cardholders with Good/Excellent Credit	59%	63%	69%
Underbanked GPR Cardholders Who Are Establishing or Rebuilding Credit	41%	37%	31%

We are not the first to report that the cardholder “stereotype” does not apply to the totality, or even the majority, of the GPR market. The *Consumer Payments Monitor* merely allows for additional and updated analysis of this perception, including efforts to quantify the relative contributions of different segments.

B. GPR Owners: Alternative Payment Services and Technology

Compared with nonowners, GPR card owners are more likely to have moved money electronically to another person or account, either inside or outside the US. Within the year prior to the survey, 60 percent of owners had transferred money to another account or another person inside the U.S., and 30 percent had done so outside the U.S. (Comparable figures for nonowners

are 34 percent and 9 percent, respectively). They are accomplishing this through the use of both banks and nonbank intermediaries. As Table 18 reveals, PayPal is the most widely used person-to-person (P2P) payment service among GPR card owners, followed by bank services and Western Union. In our opinion, the higher indices for alternative financial services among GPR cardholders reflects the presence of both younger consumers and the underbanked within the GPR ranks and the relatively lesser presence of older, fully banked consumers who are less likely to want to use, or need to use, nontraditional payment methods.¹²

Table 18. Used P2P Payment Service in the Past Year

	Don't Own a GPR Card	Own a GPR Card	Total Households	Index Own GPR Card: Total
<u>Any Electronic Funds Transfer Service</u>	<u>50%</u>	<u>70%</u>	<u>55%</u>	<u>128</u>
PayPal (Sent or Received Money)	40%	53%	43%	123
Bank P2P Service	14%	22%	16%	139
Western Union	5%	20%	9%	166
MoneyGram	2%	14%	5%	299
Check-Cashing Service	1%	9%	3%	295
Facebook	1%	10%	3%	329
Serve	1%	10%	3%	321
Google	1%	9%	3%	265
Square	0%	6%	2%	327

Note: In each row, the figure in the column "Don't Own a GPR Card" is different than the figure listed in the column "Own a GPR Card" at the 95% confidence level.

Most GPR card owners (76 percent) use online bill pay at a rate that is on par with nonowners. Among GPR card owners who do not pay bills online, about half previously paid bills online while the other half have never done so. This suggests that online-capable technology is available to GPR users at a level similar to that of non-GPR owners.

The *Consumer Payments Monitor* captures information on the availability and use of personal technology and finds that GPR cardholders are well-served in terms of access to technology products. As Table 19 shows, ownership of personal technology devices among GPR cardholders is at parity with non-GPR cardholders, with GPR card owners more likely to own

¹² Other evidence supporting this opinion comes from a 2012 Think Finance study that reported Millennials "supplement their bank accounts with alternative financial services," including prepaid cards, check-cashing services, and emergency cash services (payday loans and rent-to-own stores). See "Millennials Use Alternative Financial Services Regardless of Their Income Level," Business Wire (May 17, 2012).

technology products that are portable or mobile (notebooks, netbooks, pad or tablet computers, and smartphones). Here again, we attribute this to the high correlation between youth and GPR ownership.

There are certain characteristics of GPR card owners that are clearly distinguishable from nonowners: They are more likely to have children under 18 living in the households, they are more likely to have four or five adults living in the household, and they are more likely to use Facebook and be interested in moving money while being logged in to a social media network. In their ownership and access to banking services and communications and computing technology, however, and in their self-assessed creditworthiness (setting aside youthful individuals who are building a credit file), GPR cardholders do not operate outside the mainstream as dramatically as some stereotypes might imply.

Table 19. Ownership of Technology Products

	Don't Own a GPR Card	Own a GPR Card	Total Households	Index Own GPR Card: Total
<u>Own Any Computer</u>	<u>99%</u>	<u>98%</u>	<u>98%</u>	<u>100</u>
Desktop	76%	71%	75%	95
Laptop	70%	76%	71%	107
Notebook or Netbook	11%	24%	15%	166
Pad or Tablet Computer	31%	41%	34%	120
<u>Own Any Mobile Phone</u>	<u>89%</u>	<u>87%</u>	<u>89%</u>	<u>98</u>
Smartphone with Web Access	52%	66%	55%	119
Basic Cell Phone	51%	46%	50%	93

Note: In each row, the figure in the column "Don't Own a GPR Card" is different than the figure listed in the column "Own a GPR Card" at the 95% confidence level.

Where differences exist, some explanation can be found in the way the GPR market has evolved, a subject we will explore in Section VII.

Rather than providing clear evidence of GPR cardholders as being underbanked by necessity, the survey suggests the presence of a group that shares certain characteristics with the underbanked, but their ownership of checking accounts and other bank products suggests their use of nonbank products is one of choice rather than necessity. This group is not shut out of banking services but rather uses them while also embracing alternative services. For this group,

adoption of nonbank products appears to be in addition to, not instead of, traditional options. GPR cards have been seen as bridge products through which the unbanked or underbanked might gain access to the banking mainstream. While efforts to achieve that goal are occurring, another group of GPR users appears to be building its own bridge between traditional and alternative financial services channels. The contributions of all niches of GPR cardholders will influence the market dynamics and opportunity going forward.

VI. Attitudes Toward GPR Prepaid Cards

A. Future Ownership and Usage Intent

Overall, 73 percent of GPR users in 2013 said they expect to use a card the same or more in the coming year. Generation Xers were the most likely to say they would use cards more (38 percent); Boomers were the most likely to state they would stop using their prepaid cards (20 percent). Among Millennials, a combined 75 percent expect to use their cards the same (55 percent) or more (20 percent); 74 percent of Generation Xers and 68 percent of Boomers intend to use them the same or more. While they represent a small sample size, 79 percent of Greatest Generation respondents said they would use their cards the same (67 percent) or more (12 percent).

Looking at future usage expectations by income, more than one-third of cardholders earning \$100k+ indicated their usage would increase. (This was well above the overall 22 percent response to this question.) Another 44 percent expected their usage to remain the same, bringing the total of this highest income cohort to 79 percent who expect to use a GPR card the same or more in the coming year. This was the highest combined response to those two questions, but 75 percent of respondents with incomes of less than \$25k and 73 percent of the \$50k–\$99.9k group plan to use their cards the same or more. These numbers contrast dramatically with only 66 percent in the \$25k–\$49.9k income group that expressed these intentions.

While interest in obtaining a GPR card is low among aware nonowners, higher-than-average interest exists among younger consumers. Only 5 percent of all respondents said they were “definitely” or “probably” likely to “try a new reloadable prepaid card in the next 6 months,” but 11 percent of Millennials and 7 percent of Generation Xers agreed with one of

these statements. There was less of a difference across income groups. The trial interest in the \$25k–\$49k income group was slightly higher (at 7 percent) than the 5 percent in each of the other income groups that indicated an interest in obtaining a new GPR card.

B. Product Utility

More than half (53 percent) of current GPR owners agreed with the statement, “*For your household, do you think owning a prepaid card or account is a good alternative to having a checking account?*” Only 9 percent of nonowners agreed, but younger, aware nonowners were somewhat more open to this concept. Among Millennials, 16 percent view prepaid cards as a checking alternative *for themselves*, as do 14 percent of Generation Xers.

A concept with higher appeal to aware nonowners is that of providing a GPR card to a family member as an alternative to providing that member with a credit or debit card. Forty percent of nonusers agreed that this could be a good alternative for their households; 67 percent of GPR owners agreed with this notion.

GPR cards were perceived to be superior to other payments methods (particularly cash) by a substantial minority of GPR card owners. In response to the question, “*Compared to cash, debit cards and credit cards, do you think prepaid cards offer a major advantage?*” 42 percent indicated their cards offered a major advantage over cash, 36 percent cited an advantage over credit cards, and 33 percent said GPR cards provide a major advantage over debit cards. Differences in perception did not vary significantly by age or income group with one notable exception: 58 percent in the \$100k+ cohort agreed that GPR cards provide a major advantage to cash, a proportion significantly higher than in any other income group. (Note that this was a generalized question and not one specifically addressed to “your household.”)

In line with these attitudes about the advantages of GPR cards over cash, 68 percent of GPR card owners said using the card had caused them to use less cash. GPR cardholders also reported writing fewer checks (54 percent), using debit cards less often (40 percent), and using credit cards less often (38 percent.) The highest rate of claimed cash displacement was observed among upper-income GPR cardholders: 76 percent of those in \$100k+ income households reported that card usage caused them to use less cash. Members in this group were also the most likely to say they wrote fewer checks as a result of GPR card use.

C. GPR and Financial Management

GPR cardholders across all age and income groups acknowledged that their cards played a positive role in financial management: 59 percent agreed that the cards helped them “manage money better/spend less,” and 62 percent said the cards helped avoid overdraft fees. Agreement was fairly consistent across age cohorts, with Generation Xers indicating the highest benefit: 63 percent agreed with “managed better/spend less,” and 65 percent agreed with “avoid overdraft fees.” Across income segments, a majority of GPR cardholders agreed that the cards help them manage money better, spend less, and avoid overdraft fees. This perception was strongest among those with higher incomes, with 65 percent of those in the \$50k–\$99.9k group agreeing with both statements.

Table 20. Perception of GPR Cards on Money Management

Survey Question: “Would you say using a prepaid card has caused you to: 1) manage your money effectively or spend less; 2) avoid overdraft fees?”

% Indicating Yes	Manage Money Better or Spend Less	Avoid Overdraft Fees
Total	59%	62%
Age Segments		
Millennials (18–32)	55%	61%
Generation X (33–48)	63%	65%
Baby Boomers (49–67)	58%	59%
Greatest Generation (68+)*	58%	63%
HH Income Segments		
<\$25k per Year	56%	64%
\$25k–\$49.9k per Year	51%	61%
\$50k–\$99.9k per Year	64%	59%
\$100k+ per Year	65%	65%

* *Caution: This is a small base size for GPR owners in this age group.*

One-third of GPR cardholders said they used GPR card cash value faster than cash in wallet. This is up significantly from 24 percent in 2012. The overall statistic was influenced by the 51 percent of those in the \$100k+ income category who said they use card cash value faster than cash in their wallets. When observed by age cohort, Millennials were the most likely (47 percent) to have this perception. These findings are consistent with those related to reload metrics and to preferences in using GPR cards rather than cash. In both survey years, however,

the majority indicated they used prepaid cash value with the same or at a slower speed than cash in the wallet.

VII. Implications for the GPR Prepaid Market

A. The New GPR Customer Mix

Phoenix's *Consumer Payments Monitor* survey instrument did not solicit information about how GPR cardholders obtained their cards. However, we posit that early commercial (business and government) applications for GPR prepaid cards exerted considerable influence on the composition of the GPR customer base during the first decade of the product's lifespan. We suggest that the survey findings of recent adoption by younger, banked, and more affluent customers may be an indication that consumers are increasingly obtaining these products directly rather than through an intermediary. For example, rather than obtaining a card from a government agency or employer, recent entrants into the GPR prepaid market are shopping for cards and obtaining them directly from banks and other vendors. In such a scenario, we further speculate that these newer GPR customers are redrawing the profile of the GPR prepaid cardholder. We offer several observations that factor into this proposition.

1. Early implementations in certain GPR verticals, such as payroll cards and government disbursement programs targeted to unbanked employees/recipients, may have accelerated ownership among unbanked households. Use of prepaid cards to distribute unemployment compensation during a period of high unemployment would also have disproportionately put cards in households that are, at least temporarily, lower income. Certain government disbursement programs, such as the Treasury Department's Direct Express that are both large and mandatory, fast-tracked GPR for certain consumer cohorts. Those forces did not exert equal influence on households in all demographic categories. As a result, the adoption ratio of higher to lower income and banked to unbanked consumers may have been temporarily skewed from what might have otherwise occurred if product adoption occurred solely as a function of consumer demand.
2. Spending on cards of the top 16 bank issuers of commercial prepaid totaled \$47.26 billion in 2012, a year when the Federal Reserve Payments Study determined that a

total of \$105 billion had been spent using general-purpose prepaid cards.¹³ Roughly speaking then, close to half of every dollar spent using a general-purpose prepaid card in 2012 accessed funds that were loaded through a commercial prepaid application. Ten of these top 16 issuers were also among the top 15 issuers of all general-purpose prepaid cards, commercial *and* consumer, further evidence of the dominant influence of commercial applications in the overall prepaid card market.¹⁴ Comerica, the issuer of Direct Express, ranked first on the commercial issuer list and third on the overall list. Virtually 100 percent of its reported \$10.3 billion 2012 purchase volume was done through its commercial prepaid programs. For JPMorgan Chase, the No. 2 issuer of commercial prepaid, 89 percent of its total prepaid purchase volume was on the commercial side.

3. The metrics related to recent adopters of GPR prepaid cards found in the Phoenix research, especially the power-user group, suggest they are disconnected from many of these influential commercial programs. Younger ages are inconsistent with Social Security retirement (although not Supplemental Security Income) benefits. The high incomes suggest that most are not among the ranks of the unemployed. Usage frequency, especially in the power-user group, appears to be inconsistent with health savings account or medical flexible spending account prepaid verticals.
4. Conditions have become favorable for the introduction of broad-based GPR product offerings into the marketplace. A number of full-service banks and credit unions launched new GPR products in the past 18 to 24 months. While the concepts for card-centric “bucketed spending” and “checkless checking” accounts have been around for a long time, two constraints — one structural, one regulatory — delayed earlier execution.

¹³ “Top Issuers of Commercial Cards,” *The Nilson Report* Issue 1022 (July 2013) and “The 2013 Federal Reserve Payments Study: Recent and Long-Term Trends in the United States: 2000–2012 Detailed Report and Updated Data Release,” The Federal Reserve System (July 2014). Figures from both of these sources include both reloadable and nonreloadable types of general-purpose prepaid cards.

¹⁴ “Top 50 Prepaid Card Issuers,” *The Nilson Report* Issue 1020 (June 2013). The 50 issuers included in this report account for \$99.57 in 2012 purchase volume, a figure virtually identical to that found in the Federal Reserve Payments Study.

a. Reload Constraints

For early GPR product introductions, limited capability existed for adding value on an ongoing basis. Sufficient utility existed to reach discrete audiences using a single funding source. For example, the Direct Express card can only be reloaded by the U.S. Treasury and cannot accept funds through other sources. Cards obtained through alternative channels, such as payday lenders, prepaid cell phone providers, and certain retailers, could be topped off only within the limited reload networks operating at those locations. To reach a broader market, the product needed more flexibility in reload options than the early infrastructure allowed for. Improvements and expansion now support payroll card portability; banks have built links to prepaid cards that permit account-to-account transfers; additional locations have been added to reload networks. These infrastructure enhancements put more options for topping off card value in customers' control and make GPR ownership more practical for a larger swath of consumers.¹⁵

b. Regulatory Issues

Even as infrastructure improvements were being made, legislative initiatives put prepaid product development projects in a holding pattern while related regulation was crafted. Both the 2009 Credit CARD Act and the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act (particularly its Durbin amendment) included language specific to prepaid cards. Until related regulations were written, submitted for comment, and ultimately implemented, final decisions on product features, functionality, pricing, and marketing collateral could not be made. Since implementation of the Durbin amendment-related Regulation II in late 2011, a number of mainstream banks including BB&T, Fifth Third Bank,

¹⁵ To get a sense of how prepaid card infrastructure and utility have been expanded in recent years, see "Reload Networks Dubbed Prepaid's 'Holy Grail' as Locations Increase," *ATM & Debit News* (February 12, 2009); "New Questions for a Maturing Prepaid Market," *PaymentsSource* (May 2010); "U.S. Bank's Contour Card Offers Flexibility and a New Way to Manage Money," *Business Wire* (November 6, 2013); and "Prepaid's Big Makeover," *Digital Transactions* (March 2014).

PNC Bank, and U.S. Bank have released new GPR products into the marketplace.¹⁶

Given these factors, further adoption of GPR cards across the mass market could occur, and this could happen particularly among the banked and higher income households that may not have been explicitly targeted by earlier products, channels, and strategic objectives. If this scenario unfolds, it could bode well for the future of prepaid on both the near-term and long-range horizons.

B. Positive Consequences for GPR Cards

Adoption by higher income groups and those having greater familiarity with banking products will bring advantages. In a business where scale economies matter, tapping into a consumer base that generates more dollar volume helps to achieve efficiencies. Consumers familiar with financial services, particularly with card products, can bring lower servicing costs. One of the challenges of serving the unbanked has been higher per-account costs resulting from suboptimal use due to lack of experience with bank products and channels.¹⁷ Counterbalancing the proportion of these higher cost accounts with additional customers who use cards and channels more effectively lowers average per-account management costs within a card portfolio.

When products are embraced by upper-income consumers, the psychology of ownership is enhanced. For products that eventually permeate the mass market, adoption typically cascades from the upper socioeconomic tiers downward. The reverse — upper-income customers emulating downmarket consumption — is not as common a pattern in product adoption. Products perceived as “aspirational” appeal to a wider audience and have greater cachet than those that are perceived to be “downscale.” So products that breach the upper socioeconomic tiers establish a

¹⁶ Bill Grabarek, “Prepaid Card User Snapshot: Who They Are, How to Reach Them,” Paybefore (Spring 2013).

¹⁷ The Payment Cards Center has published several papers that explore this issue. See Susan Herbst-Murphy, “Government Use of the Payment Card System: Issuance, Acceptance, and Regulation” (July 2012); “Driving Positive Behavior Change Through Education and Motivation: Summary of a PayPerks Workshop” (October 2013); and “Improving Experience in the Prepaid Card Industry: A Customer Service Workshop” (May 2014).

higher ceiling for ultimate market saturation than what might exist for products which do not.¹⁸

Reaching consumers in early adulthood increases the prospects for lifelong use of GPR cards. As we have seen with other payment methods including checks, credit cards, and debit cards, the payment methods adopted at a young age tend to be used throughout the consumer's lifetime. This addresses another of the challenges confronting prepaid: short account lifespan that may not even allow for sufficient time to recoup acquisition costs for the provider.¹⁹

An advantage for any product that appeals to Millennials is the sheer size of that generation. Estimated at about 77 million, the generation is roughly equivalent in size to the Baby Boom and is more than a quarter again the size of the immediately preceding Generation X.²⁰ If GPR prepaid achieves critical mass within a group of this size and use continues into additional life stages, then a promising future is in store.

VIII. Conclusion

Responses to the 2013 Phoenix *Consumer Payments Monitor* indicate that ownership of general-purpose prepaid cards occurs across all income categories. Households with annual incomes less than \$25,000 own GPR prepaid cards at a rate slightly higher than their representation in the population, but ownership in higher income households grew at a brisk rate

¹⁸ Observations of this propensity date back at least to the late 19th century and the work of the French sociologist Gabriel Tarde, who published "The Laws of Imitation" in 1890 and "The Social Logic" in 1895. Author Everett M. Rogers covers this effect, along with other influences on consumer adoption, in "Diffusion of Innovations" (The Free Press, Simon & Schuster Inc., 1995). More recently, Brooklyn-based brand consulting firm BBMG reported in "The 2013 Aspirational Consumer Index" that more than one-third of global citizens identify as "aspirational" with three-quarters seeking "style and status" in their purchases. To be sure, in wealthier, industrially and technologically advanced nations such as the United States, the underpinnings exist for the attainment of certain aspirations. In these societies, discretionary income, mass production and mass customization methods, efficient inventory management and transportation systems, and munificent retail outlets and channels converge to enable individuals of even modest means to obtain products and amenities that go beyond meeting their needs for subsistence and basic comfort to fulfill aspirational qualities such as recognition and self-achievement. (See "The Right Stuff: America's Move to Mass Customization," the 1998 Annual Report of the Federal Reserve Bank of Dallas; <http://www.dallasfed.org/assets/documents/fed/annual/1999/ar98.pdf>.)

¹⁹ One PCC publication reports the typical active period for a prepaid card is "six months or less, a small fraction of the longevity seen with consumer checking accounts. As a result, account acquisition strategy and the recovery of fixed and variable costs are likely different than for checking accounts." See Stephanie M. Wilshusen et al., "Consumers' Use of Prepaid Cards: A Transaction-Based Analysis," Federal Reserve Bank of Philadelphia Discussion Paper (August 2012).

²⁰ The Millennial Count, Pew Research Center (March 22, 2010); <http://www.pewresearch.org/daily-number/the-millennial-count/>.

in the 12 months ending in August 2013. Across all income groups, younger consumers have adopted GPR cards at higher rates than their older counterparts have.

The survey found a power-user segment of GPR owners who are both young and have a higher income. This segment reports more frequent and higher reload activity, more frequent transactions, and higher spending than overall averages. Members of this segment register stronger intent to use their cards the same or more in the future than those outside this segment.

Cardholders across age and income categories reported similar positive experience in achieving better money management and reducing the incidence of overdrafts when using their GPR cards. Providing GPR cards to household members as an alternative to allowing their use of a credit or debit card was viewed as a positive attribute of the product by two-thirds of cardholders. This notion of providing GPR cards instead of the credit or debit cards used by the household, along with the high ownership rate of GPR cards among banked households, suggests that for some, GPR cards have been added to an existing set of financial services already in use rather than adopted as alternatives to traditional accounts.

For households without traditional accounts, however, initiatives (many of them government sponsored) to provide them with GPR cards so that funds can be disbursed electronically have demonstrated benefit to both payers and recipients. These programs, as with many of the other commercial applications of prepaid cards, were developed for particular target groups (e.g., the unbanked) and often for a narrow purpose (e.g., health-care flexible spending accounts). As such, early distribution and use was driven disproportionately to certain groups.

Developments in the marketplace have only recently supported broader commercialization of GPR prepaid cards, available and reloadable through traditional bank channels and targeted to any interested consumer. Therefore, the self-determined component of the GPR market, including the banked segment, may just now be asserting itself in sufficient numbers to form a profile of those who have freely chosen the product for its own merits, and for purposes that fulfill a need recognized by the consumer, himself. As this occurs, the dynamics of the GPR market are changing in ways that may require reconsideration of the GPR market and the GPR cardholder.

Appendix: Additional Analysis

GPR Prepaid Cards 2013 Consumer Payments Monitor

In August 2013, 4,201 respondents were shown a concept description that was prepared to focus respondent attention on a specific definition of GPR prepaid cards and to minimize the potential for confusion with a debit card linked to a checking account:

“Reloadable prepaid cards, sometimes called ‘prepaid debit’ cards or accounts, are not linked to a checking account but can be an alternative to a checking account. You can deposit your income or other money on the card. Purchase amounts, bill payments or ATM withdrawals are deducted from the cash value loaded on the card.”

After reviewing this description, survey respondents were asked a series of questions regarding ownership and usage of GPR prepaid cards.

Awareness of GPR Cards

Survey Question: “Prior to this survey, were you aware of this type of card or account?”

Overall, 81 percent of consumers indicated awareness of GPR cards. There was little variation in awareness levels across income and age segments except the Greatest Generation (aged 68+) segment, where the reported awareness level was only 74 percent.

Appendix Table 1: Consumer Awareness of GPR Cards

	% Aware (August 2013)
Total Consumers	81%
Age Groups:	
Millennials (18–32)	82%
Generation X (33–48)	84%
Baby Boomers (49–67)	81%
Greatest Generation (68+)	74%
Income Groups:	
<\$25k per Year	81%
\$25k–\$49.9k per Year	80%
\$50k–\$99.9k per Year	81%
\$100k+ per Year	81%

Source: Consumer Payments Monitor, Phoenix Marketing International (n=4,201)

Appendix Table 2:

Average Annual HH Income Among GPR Card Owners by Income Category

	% GPR Card Owners	Average HH Income	Sample Size
Total GPR Card Owners	100.0%	\$63,217	n=983
<\$25k per Year	31.3%	\$14,839	n=289
\$25k–\$49.9k per Year	21.2%	\$36,809	n=238
\$50k–\$99.9k per Year	29.5%	\$70,514	n=284
\$100k+ per Year	18.2%	\$161,397	n=172

Appendix Table 3: Average Annual HH Income Among GPR Card Owners by Age

	% GPR Card Owners	Average HH Income	Sample Size
Total Consumers	100.0%	\$63,217	n=983
Millennials (18–32)	32.9%	\$55,699	n=333
Generation X (33–48)	37.7%	\$68,420	n=365
Baby Boomers (49–67)	26.6%	\$65,178	n=255
Greatest Generation (68+)*	2.8%	\$50,292	n=30

* Caution: This is a small base size for GPR owners in this age group.

Ownership by Wealth (Investable Assets)

GPR card ownership is fairly proportional across a range of investable asset groups. Even among those with \$1 million or more in investable assets, GPR owners are well represented.

Appendix Table 4:

Distribution of GPR Card Owners by Investable Asset Groups

	% GPR Card Owners (n=983)	% Total Households (n=4,201)	Index (Owners: Total HHs)
Total	100.0%	100.0%	
<\$1,000	30.1%	28.8%	105
\$1,000–\$24,999	18.7%	20.4%	92
\$25,000–\$49,999	9.1%	8.0%	114
\$50,000–\$99,999	9.1%	9.3%	98
\$100,000–\$149,999	7.4%	6.2%	119
\$150,000–\$199,999	4.8%	4.7%	102
\$200,000–\$249,999	3.4%	3.8%	89
\$250,000–\$499,999	5.8%	7.9%	74
\$500,000–\$999,999	5.3%	6.3%	84
\$1,000,000+	6.2%	4.9%	127

Distribution of Heavy GPR Card Spenders by Age and Income

For purposes of this analysis, a “heavy spender” is a GPR cardholder who reported total purchases of more than \$200 made with the card in the month prior to completing the survey. More than three-quarters (77 percent) of heavy spenders are Millennials (44 percent) or Generation Xers (33 percent) cohorts. Another 22 percent of heavy spenders are Baby Boomers. Most (64 percent) heavy spenders have a household income of \$50k+ per year. Those earning \$50k–\$99k represent the largest group of heavy spenders (39 percent) followed by those earning \$100k+ (25 percent). The remaining 34 percent of heavy spenders have a household income of less than \$50k per year.

Appendix Table 5:

Distribution of Heavy GPR Card Spenders (More Than \$200 in the Previous Month) by Age and Income

	% Heavy Spenders
Total	100.0%
Age Segments	
Millennials (18–32)	44.0%
Generation X (33–48)	33.1%
Baby Boomers (49–67)	21.7%
Greatest Generation (68+)	1.2%
HH Income Segments	
<\$25k per Year	19.3%
\$25k–\$49.9k per Year	16.9%
\$50k–\$99.9K per Year	38.6%
\$100k+ per Year	25.3%