Consumer attitudes to prepaid in Europe

A summary of First Data research for retailers
Consumer attitudes to prepaid in Europe
Executive Summary

There have been few recent studies into consumer attitudes regarding prepaid cards in Europe, most of which have been centred on closed versus open-loop gifting. The absence of deep consumer research may have resulted in current prepaid opportunities being overlooked and the development of prepaid business cases being frustrated due to lack of relevant data.

First Data’s research could help identify new prepaid opportunities based on deep insight into consumer attitudes. Crucially, First Data is also now able to offer specific data that can help its clients build more robust business cases including marketing and distribution strategies for new prepaid products.

The research, which was conducted in Austria, Germany, the UK and Italy to reflect respectively increasing levels of prepaid market maturity, offers current insights including:

- What prepaid products to sell by geography and market maturity
- Where to sell them – likely adoption by country
- How to sell them – encouraging propensity to purchase
- How to structure fees
- What value added services to offer

Key Findings

- In every country surveyed, the number of respondents expecting to buy a prepaid card in the next 12 months exceeds the number who did so in the previous 12 months. This indicates good potential for prepaid growth in the markets surveyed.

<table>
<thead>
<tr>
<th>Country</th>
<th>Have purchased in last 12 months</th>
<th>Likely to purchase in next 12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>24%</td>
<td>44%</td>
</tr>
<tr>
<td>Italy</td>
<td>66%</td>
<td>73%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>21%</td>
<td>63%</td>
</tr>
<tr>
<td>Germany</td>
<td>25%</td>
<td>49%</td>
</tr>
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- Over half of respondents who were likely to purchase prepaid cards stated they were creditworthy home owners with incomes above £40k/€40k per annum who consider themselves to be financially savvy and avid savers.
- The research confirmed that prepaid cards are not likely to be a threat to existing credit or debit portfolios as consumers tend to view prepaid cards as a value-add to their credit or debit products and are therefore an ‘as well as’ rather than an ‘instead of’ product.
- Marketing messages should be broader and less prescriptive regarding the specific uses of prepaid cards. Whilst consumers have differing attitudes and propensity to purchase, the most popular benefits of spend control and wide card acceptance are consistent across the markets.
- The research indicates that certain fee structures are acceptable across markets and card types. Initial purchase fees for prepaid cards seem generally acceptable but there is strong common aversion to certain fee types, particularly monthly and POS fees. Acceptable fee structures based on use or percentage of transactions are consistent across prepaid card products and markets.
- Consumers are willing to pay extra for value-added services such as card customisation which could be a strong new revenue generator for retailers.
- The internet could be an effective supplement to a traditional in-store or mass media marketing campaign. Despite a clear consumer appetite for this channel, it has generally been underutilised in terms of both marketing and sales. An online campaign alone, however, is currently unlikely to succeed as consumers are not yet accustomed to the product’s online availability.
First Data commissioned Auriemma Consulting Group to conduct a primary research study of consumers in key markets. Study participants were asked to evaluate five different prepaid card products:

- **Gift Cards**: an alternative to giving cash as a gift
- **General Spending Cards**: an alternative to cash that can be used to purchase goods and services from retailers and online
- **Travel Cards**: an alternative to paying for purchases when travelling abroad instead of using cash, credit/debit cards or travellers cheques
- **Youth Cards**: specifically tailored to the needs of teens and young adults; designed as an alternative to cash or a traditional bank account
- **Remittance Cards**: can be used to facilitate person-to-person money transfers

The survey focused on understanding:

- Historical prepaid card usage
- Attractiveness of card benefits
- Prepaid card pricing
- Appeal of purchase and solicitation channels
- Likelihood to purchase prepaid cards
- Drivers of decisions to purchase prepaid cards
- Demographic and psychographic profiles of purchasers & users

Detailed definitions of these cards can be found in the Study Sample & Methodology section of this report. All respondents evaluated Gift and General Spending cards. Existing behaviours were used to determine which other cards they evaluated so respondents were only asked to evaluate prepaid cards that they were likely to use. For example, only the respondents that travelled internationally evaluated the Travel card; respondents who had children living at home or who were less than 18 years old evaluated the Youth card, while respondents who had sent money to friends or family within the past year evaluated the Remittance card.
Existing Prepaid Card Usage

An important part of this study was establishing how consumers in key markets use prepaid cards currently. Prepaid card usage is quite low in the UK, Germany and Austria as prepaid card promotion and marketing efforts have been based on niche products and have only recently begun to incorporate the online channel. In the Italian market, existing prepaid card penetration and usage is much more widespread; this is not surprising as the Italian market has numerous established prepaid programmes. Italians are more than twice as likely as British, German or Austrian consumers to have purchased prepaid cards within the past year.

The Italian prepaid card market is more mature than the German, British or Austrian markets. This has been driven by the prepaid card programme offered by the Italian post office (PostePay) which has widespread adoption. Italians have embraced the product and use it for a variety of purposes. Most frequently, Italians use the cards to make online purchases, though they are also likely to purchase the cards to give to children to use as a cash alternative. The German and British prepaid card markets are established, but far from mature, while the Austrian market is still in its infancy.

Consumers are much more likely to purchase prepaid cards for themselves than they are for someone else. In all of the markets evaluated, about two thirds of prepaid card purchasers bought prepaid cards for self-use. Consumers currently use and buy prepaid cards to facilitate online purchases and for use whilst travelling. Load value varies widely by country. For example, when Austrians purchase prepaid cards for themselves, they load their cards with twice as much value as their British or Italian counterparts.

Only about a third of consumers have purchased prepaid cards for other people. 70% of British and Austrian consumers that buy prepaid cards for others give those cards as gifts. Germans and Italians are much less likely to give prepaid cards as gifts, but instead, they typically give prepaid cards purchased for others to use as a cash alternative.

Consumers purchase prepaid cards in different locales in different countries. For example, in Germany, banks and petrol stations are the primary locations where consumers purchase prepaid cards. Outside of Germany, the post office is a popular venue for consumers to purchase prepaid cards. A large portion of Italian prepaid cards are purchased at the post office and banks, while British consumers purchase their prepaid cards from specialty retailers (i.e. book shops, music stores, etc.) and the post office. 27% of Australians that purchase prepaid cards do so at the post office. Younger and more affluent consumers (defined as those under 25 and/or income exceeding €40,000) are much more likely to go online to research and purchase prepaid cards than their older and/or less affluent counterparts.
Given the relative immaturity of the prepaid market in most of Europe, it is not surprising to see that consumers are currently most likely to purchase prepaid cards at merchants that have established prepaid programmes. When consumers were asked where they would like to purchase prepaid cards, there was a natural tendency to think of the channels where they are accustomed to seeing prepaid cards sold. More details about this trend will be explored in the “Sales Channels” section of this report.

The introduction of reloadable prepaid cards has met with mixed results in the markets evaluated. For example, 80% of Italian prepaid card purchasers have bought a reloadable card, though just 28% of Austrians had purchased a reloadable prepaid card (though this may be due to local unavailability of a reloadable product). Consumers primarily use reloadable prepaid cards to fund online purchases and to use while travelling, regardless of the country. Consumers were not asked to report their reloadable prepaid card usage in the German survey.

How do you use reloadable prepaid?

- To use while travelling
- Make online purchases

<table>
<thead>
<tr>
<th>Country</th>
<th>Use while travelling</th>
<th>Make online purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>26%</td>
<td>54%</td>
</tr>
<tr>
<td>Italy</td>
<td>42%</td>
<td>74%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>38%</td>
<td>35%</td>
</tr>
</tbody>
</table>

First Data Insight:

- Consumers in each country have varying preferences in terms of places to purchase prepaid cards. Overall, post offices, supermarkets, specialty retailers and department stores are the most popular venues where these cards are purchased. A strong in-store campaign is likely to be key to driving sales volume, though supplemental online efforts could be especially effective at enticing younger and/or more affluent consumers.

- Retailers have the opportunity to play a key role in the growth of prepaid cards in Europe by influencing both the value proposition and distribution strategy. Retailers could partner with issuers to bring compelling prepaid card products to the market in a cost effective manner, particularly those that overlap with the store’s brand and customer base.
Receptivity to Prepaid Card Benefits

In each country, eligible survey respondents were asked to evaluate the potential benefits of the prepaid cards in our study. Respondents were provided with a brief description of each card they were eligible to evaluate and asked to rate how important each benefit would be for them during their decision to purchase the card. For the most part, respondents evaluated the benefits similarly across the geographies we tested, though Austrian respondents maintained the same lower level of interest about prepaid cards and typically rated the benefits lower than their counterparts from other countries; however, the difference between Austrian and other countries’ respondents remained consistent across all card types.

Key findings included:

- Consumers had a higher than predicted likelihood of purchasing all of the different types of prepaid cards we evaluated. Gift cards were the prepaid product that resonated the most strongly across geographies and demographics. Respondents were most likely to purchase these types of cards, though presumably that was because of the general understanding of the products and their utility. Travel and Youth cards also resonated strongly among eligible respondents, particularly in the UK and Italy where the prepaid markets are more established.

- Benefits were similarly regarded across the tested markets and card types. In particular, wide acceptance (i.e. the cards bear the Visa or MasterCard brand) and the ability for the cards to give the users control over their spending habits earned high marks in comparison to other card-specific features. These features resonated with all survey respondents, regardless of their demographic or geographic definition.

- Card type-specific features (like the ability to use a prepaid card to lock in an exchange rate on a Travel card, or the ability to limit a child’s spending to certain retailer categories on a Youth card) typically were seen as the next most important benefits of the cards.

- Most respondents felt that the inherent security of prepaid cards was an important consideration in their decision to purchase, particularly in the case of Travel and Remittance cards in the UK and Italy. For example, 60% of British respondents agreed that Travel prepaid cards were more secure than cash or travellers cheques. Card security was of secondary concern when consumers were considering purchasing Gift or General Spending cards.

Travel Cards are more secure than cash or travellers cheques

How important is this benefit in your decision to purchase a Travel Card?
(only “very important” shown)

<table>
<thead>
<tr>
<th></th>
<th>Austria</th>
<th>Italy</th>
<th>United Kingdom</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secure</td>
<td>27%</td>
<td>47%</td>
<td>55%</td>
<td>45%</td>
</tr>
</tbody>
</table>

How likely is it that you will purchase this prepaid card within the next 12 months?

- Likely to purchase a Youth Card
- Likely to purchase a Travel Card
- Likely to purchase a Gift Card
Youth card evaluators, especially the parents who evaluated the cards, felt that the money management features of the card resonated especially strongly. These features include the ability for parents to limit transaction sizes on the card and teaching young people how to manage their money. Interestingly, teaching youth money management techniques was not a primary concern for German respondents, though limiting transaction size was a benefit that did resonate with this market.

How important would these benefits be for you when deciding to purchase a Youth card? (only “very important” shown)

- Teens and young adults can learn to manage their money
- Parents can limit transaction amounts

The option to reload the cards with additional funds was a feature that also tested well among respondents, though it appears to be a feature that most consumers feel should come with the card. Emphasising the ability to top-up the card is unlikely to drive consumers to purchase or use the products.

Though there may be a small portion of the unbanked population that requires prepaid cards to facilitate certain types of purchases, respondents were unlikely to consider these cards as replacements for credit or debit cards.

Demographic definitions played little role in respondents’ likelihood to purchase the different types of prepaid cards evaluated in this study, aside from some natural tendencies. In short, respondents thought they would purchase the cards to assist them with their budgeting and money distribution plans. For example, more affluent parents were more likely than less affluent parents to indicate that they would purchase Youth cards for their children, perhaps because they have more money to distribute to their children. Frequent travellers were more likely than infrequent travellers to consider obtaining a Travel card.
First Data Insight:

→ This research challenges the preconception that prepaid cards are primarily attractive to the sub-prime or unbanked population. More than half of consumers who were likely to purchase prepaid cards in these markets have higher incomes (exceeding £40,000/€40,000 annually) and consider themselves to be financially savvy. Considering that the members of this population typically have multiple methods of payment in their wallets already, it seems appropriate to market prepaid cards as a supplemental product, rather than a user’s primary purchase method.

→ Marketing messages and general consumer education may be more effective if focused on budgeting and broad acceptance which are the general benefits of prepaid cards that resonate most clearly across all card types and markets. This challenges the notion that card-specific marketing messages are required and encourages consumers to decide the most useful application of prepaid cards for themselves.

→ The concern that a card issuer with a credit or debit portfolio would cannibalise its existing business by launching a prepaid card product is also challenged by our findings. Consumers seem more likely to regard prepaid cards as a value-add to their existing cards rather than a substitute.

→ Encouraging purchase and use of more niche prepaid offerings will require clear explanation why these cards are better and/or more effective than their current method of purchase.

→ European retailers, particularly national chains, are well-positioned to become destinations for reloading prepaid cards. This increased footfall could drive additional revenues, customer satisfaction and opportunities to launch additional financial services products (either store- or 3rd party-branded).

→ There was general uncertainty about the various prepaid card benefits tested in this study, even in mature markets like Italy. There is a clear need to educate consumers on the value of the benefits of prepaid cards and how they can add value as an effective purchase mechanism.

→ Marketing prepaid cards to consumers is likely to only be successful if concerns about card acceptance are addressed. Further, retailers have the opportunity to appear as sympathetic to consumers’ debt challenges by marketing prepaid cards and their inherent ability to control one’s spending levels without sacrificing security, acceptance, or utility.
Sales Channels

Effective sales and marketing channels were also evaluated as part of this study. Respondents were asked to indicate where they would like to be able to purchase the various types of prepaid cards, as well as how they would like to learn more about those cards.

Currently, most prepaid cards are purchased in-person from retailers, and our study confirmed that a prominent bricks-and-mortar presence is likely to be critical to the adoption of these products by consumers. In particular, supermarkets, department stores and specialty retailers (i.e. book stores, music stores, etc.) are the retailer categories that consumers are most likely to identify as places to purchase prepaid cards. However, the results of this study indicated that consumers, regardless of country, also have strong desire to buy these products online.

Percentage of respondents who would like to purchase prepaid cards online

It is important to note that the online channel is not the preferred purchase channel in any of the countries tested. For example, the British participants in this study indicated that they most prefer to purchase prepaid cards in supermarkets and at the post office; Italians also prefer to buy their prepaid cards at the post office or at local corner stores. Germans indicated that they preferred to buy prepaid cards in banks, while Austrians indicated that they would like to buy prepaid cards at a wide variety of merchants, which is not surprising considering the immaturity of the market.

With the exception of Austria, the preferred purchase channels already have strong prepaid offerings and consumers are used to seeing prepaid products marketed in those locations. However, interest in online sales of prepaid cards was high across the countries we tested, regardless of the current maturity of the market. In Germany, the online purchase channel was the most popular, though in the other countries it was usually the second or third most preferred purchase channel.

In terms of marketing, study participants clearly indicated that the online channel (including email) was their preferred method of learning about prepaid cards. For example, about 60% of Italians and Germans indicated
that they would want to learn more about prepaid cards from a website – regardless of the card type. British and Austrian respondents were slightly less likely to research prepaid cards online; approximately 50% of those respondents said that they wanted to get more information about prepaid cards from the internet. Email solicitations also tested well across the geographies, though they are clearly less effective than “pull” marketing like websites or in-store displays.

### Percentage of respondents who would like to learn more about prepaid cards online

<table>
<thead>
<tr>
<th>Country</th>
<th>Gift Card</th>
<th>Youth Card</th>
<th>General Spending Card</th>
<th>Remittance Card</th>
<th>Travel Card</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>48%</td>
<td>51%</td>
<td>45%</td>
<td>48%</td>
<td>48%</td>
</tr>
<tr>
<td>Italy</td>
<td>51%</td>
<td>54%</td>
<td>64%</td>
<td>64%</td>
<td>62%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>56%</td>
<td>56%</td>
<td>56%</td>
<td>54%</td>
<td>52%</td>
</tr>
<tr>
<td>Germany</td>
<td>48%</td>
<td>47%</td>
<td>48%</td>
<td>45%</td>
<td>48%</td>
</tr>
</tbody>
</table>

Mass market media, particularly TV and magazine advertisements also resonated with consumers as popular marketing channels. In particular, Austrians indicated that TV advertisements would be an effective and preferred way for them to learn more about prepaid cards.

### First Data Insight:

- A diverse and wide-reaching marketing and sales strategy is likely to be key to the success of these products, particularly as consumers are only just beginning to form opinions about how they could be used.
- A strong retail presence in market-appropriate locations is necessary to effectively sell prepaid cards, but consumers are hungry for the opportunity to research and buy prepaid cards online. Strong retailer-issuer relationships, particularly in supermarkets and department stores should contribute to product growth in Europe. This research suggests that supplementing a strong retail presence with online marketing efforts would be an effective and low-cost way to increase card penetration, particularly those cards targeted at the mass market.
- Prepaid cards launched in growing or non-mature markets may need to be supported by mass media campaigns, and could be particularly effective if they “ride along” with retailer campaigns. Consumers in these markets have low awareness of the products and require a baseline understanding and assurance of the validity of the offering. Mass media, while expensive, has such high penetration that it can be an effective form of consumer education. Social networks and a viral approach to marketing may also be highly effective, especially since these types of campaigns require smaller investments.
Pricing

Across the tested geographies and card types, consumers had strong and consistent views on acceptable pricing structures. Encouragingly, consumers in these markets were not averse to paying fees, though they do require that fee structures are clear and designed so that fees for purchases (point of sale fees) are avoided. Initial purchase fees are considered appropriate by respondents in all markets, particularly Italy. Study participants were most receptive to these types of fees when they were expressed as a percentage of the transaction, as opposed to a flat amount. Balance top-up fees and fees for withdrawing cash at ATMs were also acceptable. Replacing initial purchase fees with monthly account maintenance fees was undesirable.

Consumers who were unlikely to purchase prepaid cards indicated the primary barrier was a reluctance to pay fees. British consumers showed the highest level of fee aversion; approximately 60% of unlikely prepaid card purchasers indicated that they would not purchase the various types of prepaid cards because they did not think that the fee structure offered good value for money. Italian study participants were the least likely to be reluctant to pay fees, presumably since most prepaid cards in that market currently feature fees. German and Austrian consumers are similarly resistant to fee-based prepaid cards; fees on Remittance cards were found to be the least acceptable, while they are perceived as less of a barrier on Gift cards.
We were encouraged by the high percentage of study participants who indicated that they would be likely to purchase the various types of prepaid cards. However, the resistance to fees among unlikely purchasers indicates that there is a clear gap in the perceived value of the cards.

**First Data Insight:**
- The preconception that consumers are averse to prepaid cards due to fees is challenged by our findings. Whilst there are clearly certain fee structures that are likely to cause a product to fail across markets and card types, there are other fee structures that seem acceptable. The ideal pricing model is one that features an initial purchase fee, no monthly fees and behaviour-initiated fees (for ATM withdrawals, balance top-ups, etc.) expressed as a percentage of the transaction. Encouragingly, respondents found this general pricing structure most appealing, regardless of how likely they were to purchase a prepaid card.
- Consumers clearly prefer fees that are applied on a one-off basis as opposed to regularly for typical behaviours.
- Consumers in the less mature markets have a lack of understanding of the benefits of these cards and do not currently understand how a prepaid card fits into their current payment habits. In this respect, a mass media campaign focusing on general benefits could be particularly effective at educating consumers about the cards’ value.
Additional Services

One final component of prepaid cards evaluated in this study was consumer appetite for additional services like card customisation and special packaging. Card customisation options include the ability to purchase a prepaid card with a personal image, custom colour scheme, or personal message on the plastic; special packaging options include gift boxes or occasion-themed card carriers.

Card customisation was a popular feature across the tested geographies, with between 35% and 41% of respondents indicating that they would like the option to personalise their cards. Personalisation capability was especially important to respondents (in all tested markets) who were less than 45 years old. Consumers were generally willing to pay a fee for this sort of personalisation, indicating that a fee of £2/€2 is an acceptable price point.

Many consumers also would consider purchasing prepaid cards with occasion-specific designs (i.e. Gift cards with wedding or birthday themes, Travel cards with travel-themed plastics, etc.). In particular, this option resonated with British and German respondents, though respondents from all of the tested markets gave these options high levels of receptivity. Respondents, regardless of geographic market, are reasonably receptive to paying fees for special designs and packaging. In particular, Italians are especially willing to pay fees for themed packaging, even though they were the least likely market to find these services attractive.

First Data Insight:

- Personalisation options are not currently widespread among prepaid card offerings. Offering consumers the option to purchase plastics in custom packaging could give retailers an opportunity to sell higher volumes of cards to a broader consumer audience. Margins on personalisation options can approach 100%.
- Capitalising on the emotional element of financial products has been underutilised to date. Instead, the focus has been on providing consumers with myriad options and benefits to take advantage of in order to maximise value. This research suggests that stripping down a product to its core functionality and benefits and overlaying a personal element could maximise consumer interest and product profitability.
Summary

The research suggests that there is significant opportunity for retailers to grow their business further through prepaid cards. Retailers are likely to find that prepaid cards offer a profitable route to harnessing the power of a trusted retail brand, possibly expanding it into financial services.

The research indicates that supermarkets, department stores and speciality retailers are strongly positioned as a destination of choice for consumers seeking prepaid products. There is a potentially very useful opportunity for retailers to enter into partnerships with financial institutions, combining the retailers’ physical distribution network with financial institutions’ regulatory and compliance expertise, to bring new prepaid offerings to market.

With the apparently acceptable fee structures, marketing messages and other insight as indicated in First Data’s findings, retailers could find that prepaid cards offer an attractive opportunity to extend their offering into financial services and a significant new revenue stream in the coming years.

Profiles of Evaluated Countries

UK:
- Prepaid card penetration is low. 21% of British respondents have purchased a prepaid card within the past year. If those cards were purchased for self-use, they were typically used to pay for online purchases.
- British respondents are most likely to buy Gift cards (70% indicated that they would buy one within the next 12 months), followed by Youth cards (28%) and Remittance cards (26%).
- British participants are very sensitive to fee structure. Approximately 60% of respondents who are unlikely to buy prepaid cards indicated that fee aversion was the primary reason.
- The benefits of using prepaid cards are not currently clear to British respondents.

Austria:
- Prepaid card penetration is low. 24% of Austrian respondents have purchased a prepaid card within the past year.
- Austrians typically use prepaid cards that they bought for self-use to pay for online purchases.
- Austrian respondents are equally likely to purchase Gift cards (30% indicated that they would buy one within the next 12 months), Travel cards (25%) and Youth cards (24%).
- Austrians that are not inclined to purchase prepaid cards cite a variety of reasons why:
  - Gift cards: they prefer to buy a traditional gift
  - General Spending cards: fee aversion
  - Travel cards: would prefer to use a credit/debit card or travellers cheques
  - Youth cards: fee aversion
  - Remittance cards: fee aversion
Germany:
- Prepaid card penetration is low. 25% of German respondents have purchased a prepaid card within the past year.
- Germans that have previously purchased prepaid cards for themselves use the card to make online purchases and while travelling. Prepaid cards bought for others are typically given to young people as a cash alternative.
- Germans are most likely to buy Gift cards (74% indicated that they would buy one within the next 12 months), Youth cards (51%) and General Spending cards (42%).
- Germans that are not interested in purchasing prepaid cards are primarily fee averse, though a significant portion of the population is uncertain of why using prepaid cards is advantageous.
- Very few Germans indicated they currently have trouble managing their money, though the fact that prepaid cards offer spend control and budgeting opportunities was attractive.

Italy:
- Prepaid card penetration was the highest among the markets evaluated in this study; 41% of study participants reported that they had bought a prepaid card within the past year.
- Italians typically use prepaid cards to make online purchases (79%) and to use while travelling (56%). When Italians buy prepaid cards for others, they typically give them to young people to use as a cash alternative (50%).
- Italians are more accepting of fee-based prepaid cards than the other countries in our study, though fee aversion is a primary reason that many consumers do not purchase prepaid cards and there is a general uncertainty about the benefits of prepaid cards.
- Whilst Italian consumers have not tended to be receptive to Gift cards to date, possibly because they find closed loop voucher-type products unappealing, our research strongly suggest that Italian consumers would be inclined to purchase open loop Gift cards. 73% said they would buy an open loop Gift card in the next 12 months, followed by General Spending cards (54%), and Youth cards (54%).
Study Sample & Methodology

Study Methodology

A 65-question survey was administered online to consumers in Germany, Austria, Italy and the United Kingdom. The German survey was conducted in June 2009; the Austrian, Italian and British surveys were administered in July 2009. Participants in the study were all eligible prepaid card purchasers and received points in a survey-taking loyalty scheme in exchange for participation. Participant demographics were considered carefully and we believe we have achieved an appropriate sample in terms of key demographic splits.

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of survey responses</th>
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</thead>
<tbody>
<tr>
<td>Germany</td>
<td>511</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>500</td>
</tr>
<tr>
<td>Italy</td>
<td>501</td>
</tr>
<tr>
<td>Austria</td>
<td>516</td>
</tr>
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</table>
**Terminology & Definitions**

The following definitions were given to study participants during the course of the survey.

**Prepaid Card:** A prepaid card is a card that can be used to pay for goods online or at a retailer or to draw cash from an ATM. These cards are branded MasterCard or Visa and can be used wherever these signs are displayed and both in your home country and abroad. They are loaded with money by you, but rather than being tied to your bank account, the card works on the balance you have loaded to the card. These cards can be purchased at a variety of locations including banks, retailers and online, and do not require a credit check or bank account to purchase.

**Gift Card:** A Gift Card is a prepaid card designed as an alternative to giving cash as a gift. You can purchase it from any number of retailers or online, pay in advance for the amount of cash you want to give and the recipient of the gift card can then use the card to spend at a retailer of their choice. These cards are also branded Visa or MasterCard and can therefore be used wherever these brands are accepted and both online and abroad, but they cannot be exchanged for cash at an ATM.

**General Spending Card:** A General Spending Card is designed as an alternative to cash. It can be purchased and funds can be added at any number of retailers or online. The card can be used immediately without the need for credit checks. A General Spending Card is an option for any person who may not want or cannot qualify for a bank account or credit card, or for those purchases the person does not wish to use their traditional credit or debit cards.

**Travel Card:** A Travel Card is an alternative to paying for purchases when travelling abroad instead of using cash, credit/debit cards or traditional travellers’ cheques. The Travel Card can be purchased and loaded at any number of retailers and online and can be used at any retailer or ATM that accepts Visa or MasterCard branded payment cards. You have the option of purchasing cards in either British pounds sterling, US Dollars or Euros. The exchange rate is applied only once at the point of purchases; all transactions are then paid in the currency selected for the Travel Card. This card also works on a balance and funds can be added as often as required providing a tool for saving and budgeting for your annual holiday. These cards have a 3 year expiry date and can be used for multiple trips rather than travellers cheques that are purchased per trip.
Youth Card: A Youth Card is designed as an alternative to cash or a traditional bank account specifically tailored to the needs of teens and young adults. It can be purchased from any number of retailers, paid for in advance for the amount of cash required and then used like any other payment card or cash at retailers that accept Visa or MasterCard.

Remittance Card: A Remittance Card allows person-to-person payment transfers. You can purchase the card from any number of retailers and pay in advance for the amount of cash you want on the card. The person receiving the card can then use the card to make purchases at a retailer of their choice or withdraw cash from an ATM. The Remittance Card is reusable and can be reloaded with additional funds at any time, and up to three additional cards can be provided for shared use. Your salary can also be paid directly on to these cards.

As part of this research study, we asked consumers to evaluate several different pricing structures for each prepaid card type. These pricing structures all included some combination of an initial purchase fee, ATM fee, point of sale fee, monthly fee and/or load fee. These fees are defined below. Study participants were asked to indicate which pricing structures they preferred; the pricing structures tested in the various markets were identical, though adjustments were made for differing currencies as appropriate.

Initial Purchase Fee: a one-time fee paid at the time that the prepaid card is purchased.

ATM Fee: a fee paid to withdraw cash from an ATM

Point of Sale fee: a fee paid whenever the prepaid card is used to make a purchase

Monthly fee: a handling fee deducted from the balance of your prepaid card once per month

Load fee: a fee charged each time the prepaid card is reloaded with money
A Global Leader in Electronic Commerce

First Data powers the global economy by making it easy, fast and secure for people and businesses around the world to buy goods and services using virtually any form of payment.

Whether the choice of payment is a gift card, a credit or debit card or a cheque, First Data securely processes the transaction and harnesses the power of the data to deliver intelligence and insight for millions of merchant locations and thousands of card issuers in 36 countries.

For more information, visit www.firstdata.com