Secure Future for Secured Cards

Acquisition & Making The Connection – linking the consumer and the product

The current economy has spawned renewed examination of the market potential for secured credit cards. In the upcoming years, secured credit cards have the opportunity to become a popular choice for people whose credit has been negatively impacted, as well as people who are new to credit.

Students, New to Credit, and Affected Credit consumers constitute a potentially large untapped market for these products. Standard card products are often not suitable for these segments because many consumers have little or no experience dealing with credit. As covered in the first two inBrief in this series these segments present unique challenges and opportunities.

As a result of our research findings, this third and final inBrief presents insights and recommendations on positioning strategy, and how to market these secured card products to these consumers segments. It reviews the current market demand and outlines multiple elements that will be required in order to successfully penetrate these markets.


“The benefits of secured cards are that you have the convenience of a credit card and can construct a positive credit file if you handle your obligations responsibly.”

Gail Cunningham, Vice President for Public Relations for the National Foundation for Credit Counseling

3 consumer groups

- Students
- New to Credit
- Affected Credit

2,600 responses

research project from

2009-2010
MARKET OPPORTUNITY

There is clear market opportunity

METHODOLOGY

Survey invitations were sent to Lightspeed and eRewards Internet research panel members targeting:
- Students: 18-24 year-olds enrolled in full-time degree programs
- New to Credit: Age 18 and up not enrolled in a full-time degree program

Email invitations were distributed by a credit counseling agency to members of its national email lists targeting:
- Affected Credit individuals: Age 21+ who are not enrolled in a F/T degree program and are seeking credit counseling. A Spanish language version of the survey was also developed and fielded.

Market Opportunity

Research Highlight: There is clear market opportunity

Market Potential

The consumer segments all understand that they “can’t live without plastic payment products,” and also value positive credit history. However, three-quarters of Affected Credit (75%), and two-thirds of Students (68%) and New to Credit (63%) don’t believe there are payment cards available to them that would fully meet their needs. Respondents also express slightly less satisfaction with the credit cards currently available to them, relative to other products. This is particularly true among Affected Credit, with 29% unsatisfied with the credit cards currently available to them (vs. 19% New to Credit, 14% Students).

As seen throughout this research, the segments certainly share some core similarities to one another – in composition and demographics, attitudes, preferences, and behaviors. These commonalities bind them together – from their shared lack of familiarity with the product, their lack of understanding of the perceived value and benefits, their desire to have good credit, the importance they place on affordability when selecting a payment card provider, and their purchase activity at retail stores, dining out, entertainment, and others.

And yet, equally, as this research has also shown, there are fundamental differences in these segments that are important to note. Understanding these nuances will be critically important in formulating effective marketing strategies and tactics for an overall secured card offering to these segments.

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<td>Students</td>
<td>32%</td>
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<td>New to Credit</td>
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<td>Affected Credit</td>
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Recommendation #1 Capitalize on a Huge Marketing Education Opportunity

Marketing education programs can increase awareness of products and promote their values and benefits to these target customers. This is a critical component to furthering market penetration with these segments. Strong messaging into overall positioning that establishes secured cards as a safe and responsible form of borrowing that will help consumers build their credit history, build savings, and gain access to credit in the future.

Get the word out – and in a compelling way! Deliver a well-articulated, well-promoted, well-targeted messaging platform that will win over “indifferent” consumers. This will also increase awareness of products. Reinforce the value proposition and functional benefits in the card’s market positioning so customers make connections that a secured card may be a meaningful solution to their various issues and needs.

Messaging should promote those product features that most contribute to elevating the perceived appeal of the Secured Card – including those that improve the customer’s ability to protect, track, and manage expenditures. Messaging should also address perceived challenges and possible confusion relating to coming up with funds for the secured card’s required deposit.

Empower consumers by delivering product education that enables them to have sufficient information to make informed decisions and use products successfully.

Consumer Concerns

The 3 most important considerations in selecting a card provider card are:

- Costs associated with the card: annual fees, activation fees, transaction fees, minimum payments, and interest rate on balances.

  “I am most concerned with interest rates. I don’t want to get in trouble and only be able to pay interest rates. Not having debt is a big concern for me.” (Student, male).

- Issuing bank: issuer trust, reliability, location, and security.

  “How the contract is worded. If I were to pick up on anything suspicious, I would back out immediately. Also, big, fancy or confusing words would drive me off.” (New to Credit, female).

- Brand logo for its acceptance: accepted widely and for all purposes.

Recommendation #2 Develop well-priced, well-structured products

A thoughtful combination of features should be built into these products. Fair pricing, clear graduation requirements, and ongoing education are some examples of doing this. The product should leverage differences in customer preferences to build tailored solutions that address unique needs of each segment. Products should be fairly priced and offer advantages that other financial options or products do not.

The product should easily highlight the appeal of having a secured card – one that improves the customer’s ability to protect, track, and manage expenditures while improving their credit. These features, along with ongoing educational opportunities, will encourage consumers to be more financially responsible. Hopefully these customers will graduate to more sophisticated credit products, such as unsecured-semi-secured products as appropriate.

Well-Structured Fairly Priced

Educational Opportunities

Ideal secured card products are here, incorporating all three of these components into one ideal consumer solution.
Conclusion

For consumers new to credit, just establishing credit, or trying to repair their credit, a secured card may be an ideal solution. Secured cards still face a major challenge in the market—lack of awareness and product familiarity—particularly among Students and New to Credit consumers.

Almost all respondents understood that having good credit is important, but most Students and New to Credit consumers have not yet established a credit history. This issue could be addressed with a well-structured, well-priced secured card. Secured card product providers have an opportunity to deliver educational messages that secured credit cards are a safe and responsible form of lending that can help to build credit history.

Sneak Peak

Consumers value having a plastic payment card. In November, look for CFSI's next inBrief to get greater insight on the why customers value plastic payment products, along with challenges and opportunities secured card products need to address for successful market acquisition and distribution.

About CFSI

The Center for Financial Services Innovation is the nation’s leading authority on financial services for underbanked consumers. Since 2004, its programs have focused on informing, connecting, and investing – gathering enhanced intelligence, brokering and supporting productive industry relationships, and fostering best-in-class products and strategies. A nonprofit, CFSI works with leaders and innovators in the business, government and nonprofit sectors to transform the financial services landscape. For more on CFSI, go to www.cfsinnovation.com.

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