

## Secure Future for Secured Cards

### Background

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.

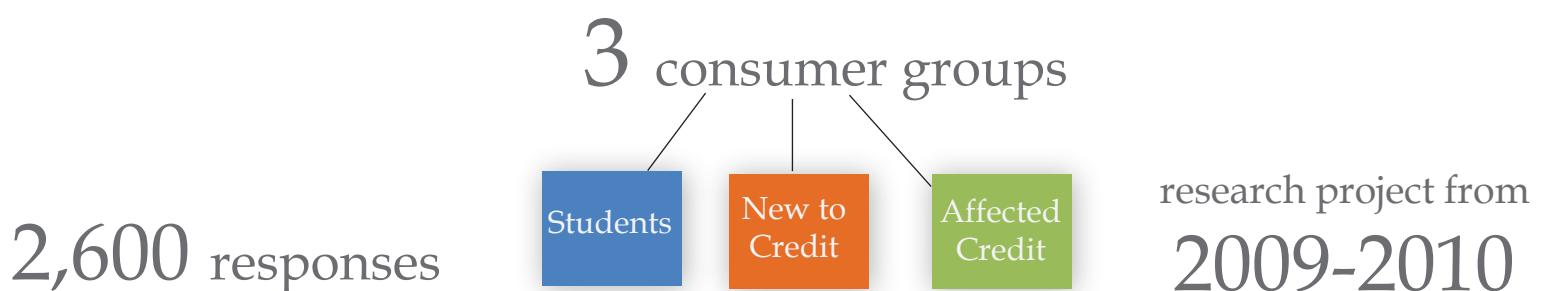
Students, New to Credit, and Affected Credit consumers constitute a potentially large untapped market for these products. Standard card products are often not suitable for these segments because many consumers have little or no experience dealing with credit. These segments present unique challenges and opportunities.

This second inBrief, in a series of three, examines the importance these consumers place on plastic payment methods, consumer spending habits, and opportunities for market entry for secured card products.

CFSI recognized the potential growth of the secured card market and began a comprehensive research study. This study was conducted along with MasterCard and Blue Flame Consulting. In this series of inBriefs, CFSI highlights a number of key findings about secured cards from consumer research conducted among three consumer segments relating to their needs, preferences, behaviors, and perceptions for secured credit card products.



Today, the use of plastic surpasses that of cash and checks combined.





**Identify**, profile, and size three consumer segments:  
New to Credit, Students, and Affected Credit (including damaged credit, reduced credit and closed accounts)

**Understand** consumer needs and preferences in these 3 segments and what features and benefits they desire, including:

- Attitudinal preferences and needs
- Preferences and approach toward credit/increased debt
- Drives for obtaining a secured card
- Ideas for positioning the card for each segment

## 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.

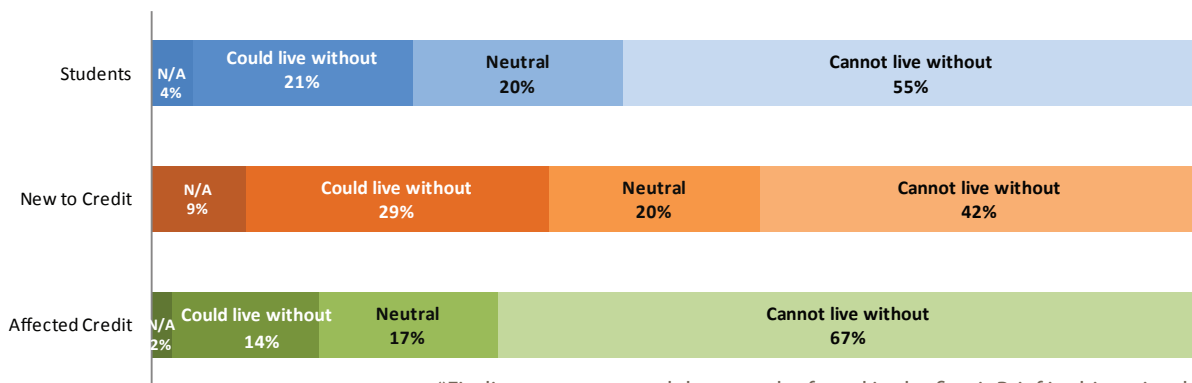
## Key Findings

### Finding #4\* Consumers value and depend on plastic payment products

All respondents placed an incredibly high importance on having a plastic payment card to conduct transactions safely and conveniently. In fact, over 2/3 of affected credit and over half of students responded “they cannot live without” a plastic payment product.

Still, debit cards and cash are the forms of payment used most often by all three segments. We asked respondents, “in the past month, which payment method did you use most often?” 75% of affected credit consumers responded debit and 12% responded cash. For students, 52% used debit most often and 36% used cash. New to credit were a bit more evenly split with 48% responding cash and 38% debit.

### In General, how necessary is it for you to have a plastic Payment Card to conduct transactions safely and conveniently?



### Consumers value and depend on plastic payment methods

In the absence of plastic payment methods respondents cite a common set of problems that they often face, including:

- Lack of funds / inability to pay
- Safety from theft or loss
- Store/internet do not accept cash or checks
- Additional costs incurred with money orders and checks
- Cumbersome, time consuming transactions at the register
- Budgeting issues

\*Findings one, two, and three can be found in the first inBrief in this series download at [www.cfsinnovation.com](http://www.cfsinnovation.com)

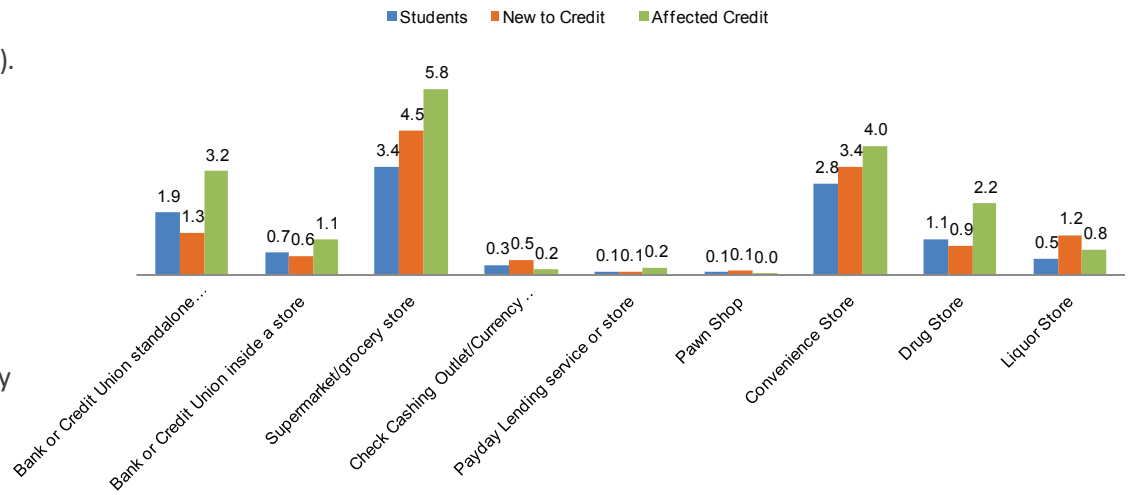
**Finding #5 Consumers conduct transactions at a variety of locations.**

Most respondents have an account with a bank or credit union (98% affected credit, 93% students, and 78% new to credit). Among the minority who reported not having a bank account, the majority indicated they had an account previously.

Yet, banks are the 3rd most popular location for financial transactions among all three segments. Supermarkets/grocery stores and convenience stores were used more often than banks in the past 30 days.

There are opportunities to reach potential secured card customers at banks and other ongoing customer touch points.

**Mean # of Visits for Financial Transactions in the Past 30 Days**



**Where consumers spend their money**

**66%** each segment's total purchases during a typical month on retail stores, dining out and entertainment.

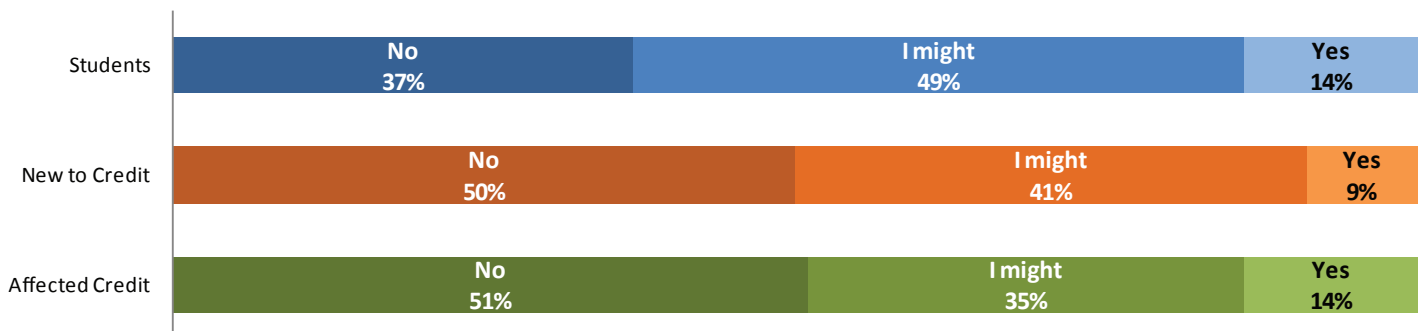
Retail stores are the leading purchase category among both Affected Credit and New to Credit. Students transact slightly less in retail than the other segments. Instead, and as might be expected, their leading transaction category is Dining Out /Entertainment.

**Finding #6 There is clear consumer acquisition potential**

At least half of all the consumer groups indicated that they might be or are interested in secured cards. A sizable base within each segment assigns importance to having a plastic card, thereby revealing a fundamental customer need that validates secured card market opportunities.

Consumers lacked solid information about secured cards. Therefore overcoming the sizable lack of product familiarity will be key in driving further market penetration of sizable scale. These segments consist of customers who may not be likely to get a card otherwise, so a secured card is an alternative and meaningful solution.

**All things considered, is this a product that you might choose?**



## Conclusion

Consumers understand that in an increasingly digital world having some plastic payment method is necessary. A sizable portion of each consumer segment assigned importance to having a plastic card. These results reveal a fundamental customer need that validates the foundation for secured card product opportunities. The majority of the students and new to credit consumer groups even indicated that they might or would be interested in having a secured card. Most of the consumers surveyed indicated that they do have an established bank. The bank is an obvious distribution point for these products, but there may be other potential distribution points as well.

A lack of product knowledge (discussed in the first InBrief) is a major hurdle to successfully marketing secured products. Delivering a well communicated and articulated value proposition for customers, providing educational messages on the products, and tapping key distribution points will be critical to successful market penetration.



### Online Education Opportunity

Join CFSI for a live webinar on this research study on November 9 or download this webinar after the broadcast date.

Sign up online at:

[www.cfsinnovation.com/events/webinars](http://www.cfsinnovation.com/events/webinars)



For more information on this secured card research contact Kimberly Gartner, Project Lead at: [kgartner@cfsinnovation.com](mailto:kgartner@cfsinnovation.com)



## Sneak Peak

In these first two inBriefs we established the target market and the market demand for secured card products. Our final inBrief in this series will provide an overview of our recommendations about making connections between the consumer and the product. You can also register for our webinar on November 9 to hear our recommendations.

## 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](http://www.cfsinnovation.com).

### To Contact CFSI:

Center for Financial Services Innovation  
2230 South Michigan Avenue, Suite 200  
Chicago, IL 60616  
tel: 312.881.5856  
fax: 312.881.5801

[www.cfsinnovation.com](http://www.cfsinnovation.com)