

PRIZE-LINKED SAVINGS AND FINANCIALLY VULNERABLE AMERICANS: Insights from a Five-State Study

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I. EXECUTIVE SUMMARY

Prize-linked savings (PLS) products hold great promise as a tool for improving savings outcomes for financially vulnerable Americans. In early 2011, Doorways to Dreams (D2D) Fund commissioned a panel survey of low-to-moderate income (“LMI”) households in five states. The objectives of this survey were to understand the appetite for prize-linked savings, in general, as well as to gather specific insight into LMI consumer preferences related to product features and marketing. In addition, the survey provided feedback on the Save to Win™ product construct currently deployed by the credit union industry in Michigan.

Key findings from the panel survey include:

Winning a prize is important. Financially vulnerable respondents prefer having a good chance to win, more prizes and prize-winners, and instant prize winning features.

Consumers are attracted to activity-based rewards, not just rewards based on savings volume. Beyond accruing savings, financially vulnerable panelists are interested in prizes linked to behaviors that reward demonstrated improvements in financial capability, like making a regular deposit or signing up for direct deposit linked to the PLS account.

Prizes and interest are key ingredients in the prize-linked savings account cocktail. Offering interest on a PLS savings account greatly increases product popularity across financially vulnerable respondents.

Consumers are open to PLS products offered outside of mainstream financial institutions.

Expanding the breadth of channels for PLS products will increase reach, as a number of financially vulnerable individuals may respond more positively to a PLS product that is positioned as something other than a savings account (e.g., a prepaid card with a savings pocket) and/or that is promoted outside credit unions, or even beyond financial institutions.

Results of the survey indicate that a prize-linked savings product that includes interest and prize entries based on deposits has high potential to attract LMI households and help them build savings. This potential holds across specific subgroups explored, including asset poor, un- and under-banked, minority and single-mother households, although different preferences do exist for specific product features.

This paper explores panel survey observations with the objective of understanding key factors consumers use to evaluate prize-linked savings products. In addition, this paper derives pivotal insights related to specific financially vulnerable subgroups in order to improve the impact of PLS products on savings outcomes for those households.

II. STUDY METHODOLOGY

D2D commissioned Knowledge Networks to deploy a 35-question survey to its panel in five states: Michigan, Washington, North Carolina, New Mexico, and Mississippi. In order to focus the survey on financially vulnerable households, only panelists with household income less than \$60,000 were included in the sample, and the total sample was 1,332 respondents (weighted).¹ Knowledge Networks is a service that recruits online research panels that are representative of the entire U.S. population. Panel members are randomly recruited through probability-based sampling and households are provided Internet-access and hardware if necessary. Survey participants are recruited via telephone and Internet.

Based on average responses in the 1,332 sample, we can identify important design decisions to make PLS products more attractive to LMI consumers and specific subgroups. The survey also offers insights into distribution, outreach and marketing through questions about product channel preferences and consumer habits related to gathering financial product information.

While the entire sample consists of financially vulnerable consumers with low-to-moderate incomes, we focused additional analysis on the responses of four subgroups: (1) asset poor, (2) un- and under-banked, (3) minority, and (4) single mothers. As seen in **Table A** below, these individuals represent, respectively, 49%, 40%, 32%, and 13% of the respondents.² An individual panelist can fall into multiple categories.

Table A: Subgroup Definitions and Responses

<i>Sub-group</i>	<i>Definition</i>	<i>Respondents (weighted)</i>	<i>% of Total</i>
<i>Total responses</i>		1,332	100%
<i>1. Asset poor</i>	<i>Less than \$5,000 in savings accounts and financial assets</i>	659	49%
<i>2. Un- and under-banked</i>		537	40%
<i>(a) Under-banked</i>	<i>Use a savings and/or checking account but also have relied on an alternative product such as a check-casher in past six months</i>	387	29%
<i>(b) Un-banked</i>	<i>Do not have a savings or checking account</i>	150	11%
<i>3. Minority</i>	<i>Hispanic, black, and any other self-identified non-white respondent</i>	423	32%
<i>4. Single mothers</i>	<i>Women who self-identify as heads of households, not married, and have at least one child at home of any age</i>	170	13%

¹ Weightings were applied by Knowledge Networks Panel to adjust for survey biases, specifically oversampling or under-sampling of specific populations and regions, to ensure the survey sample was representative of the population.

² However, these percentages do not necessarily reflect national averages as we sought to oversample financially vulnerable Americans.

III. CONTEXT FOR PRIZE-LINKED SAVINGS

Prize-linked savings products, found in 22 countries around the world, were first piloted in the U.S. by individual credit unions, including Centra Credit Union in Indiana.³ In 2009, D2D Fund, the Filene Research Institution and the Michigan Credit Union League assembled eight credit unions to launch a collaborative pilot, dubbed Save to Win, to pool resources in order to offer a larger grand prize of \$100K.⁴ Save to Win, now in its third year, has expanded to over 40 Michigan credit unions and is facilitated by the Michigan Credit Union League.⁵

The current Save to Win product is a 1-year, balance-building, interest-earning share certificate (certificate of deposit) which requires only \$25 to open.⁶ For each \$25 additional deposit, savers earn an entry into monthly prize raffles and a yearly grand prize drawing. While account holders can deposit unlimited amounts each month, they can only qualify for up to 10 entries a month (\$250 in deposits). Through a collaborative structure, statewide monthly prizes range from \$125 to \$1,000 a month, with a single yearly grand prize of \$100,000. Many credit unions supplement the monthly statewide prizes with prizes solely for their members. There are over 182 winners each month.

While the Save to Win program has been successful in Michigan, the idea has begun to spread nationally. Legislation has been passed in multiple states allowing for savings promotion raffles like those in Michigan.⁷ In addition, other types of financial services firms and start-ups are pursuing prize-linked savings as a way to increase consumer engagement. For example, Pay Perks (www.payperks.com) is creating prize-linked features for employer payroll cards. With this national expansion of interest in mind, the survey results can provide additional design guidance to strengthen the reach and impact of a PLS product on financially vulnerable Americans.

IV. DESIGNING PRIZE-LINKED SAVINGS FOR THE FINANCIALLY VULNERABLE

The following sections review the survey findings with the goal of describing the major considerations in designing a PLS product that is attractive and beneficial to financially vulnerable Americans. By addressing consumer interest in PLS, the principles consumers use to think about and evaluate PLS product features, and the popularity of specific PLS product features, this analysis generates better understanding of the decisions that drive consumers to save using a PLS account. The subsequent sections will then use these findings to provide recommendations and implications for the design and distribution of PLS products.

³ *Consumer Demand for Prize-Linked Savings: A Preliminary Analysis* <http://d2dfund.org/files/consumer-demand-prize-linked-savings.pdf>

⁴ *D2D Final Report on Save to Win*: http://d2dfund.org/files/save%20to%20win%20final_lores_0.pdf

⁵ See www.savetowin.org for more information.

⁶ Each participating CU sets its own interest rate for the share certificate.

⁷ See 2011 Prize-Linked Savings Policy Update: http://d2dfund.org/files/publications/Prize_Linked_Savings_2011.pdf

SURVEY QUESTION OVERVIEW

The 35-question survey covered the following key themes:

- **Demographics**, including income and financial assets
- **Behaviors** related to saving habits, using savings / checking accounts, and seeking financial information
- **Initial reaction** to PLS-like products and the trade-off of greater chances of winning (multiple small prizes) versus smaller chances of winning (one very large prize)
- **Preferences** for specific product features (e.g. interest rates, certificates of deposit, raffle tickets, limits on raffle tickets) and prize sizes (monthly and grand prize sizes and number of winners)
- **Opinions** about distribution channels including financial institutions, large retailers, check cashers, and state lotteries

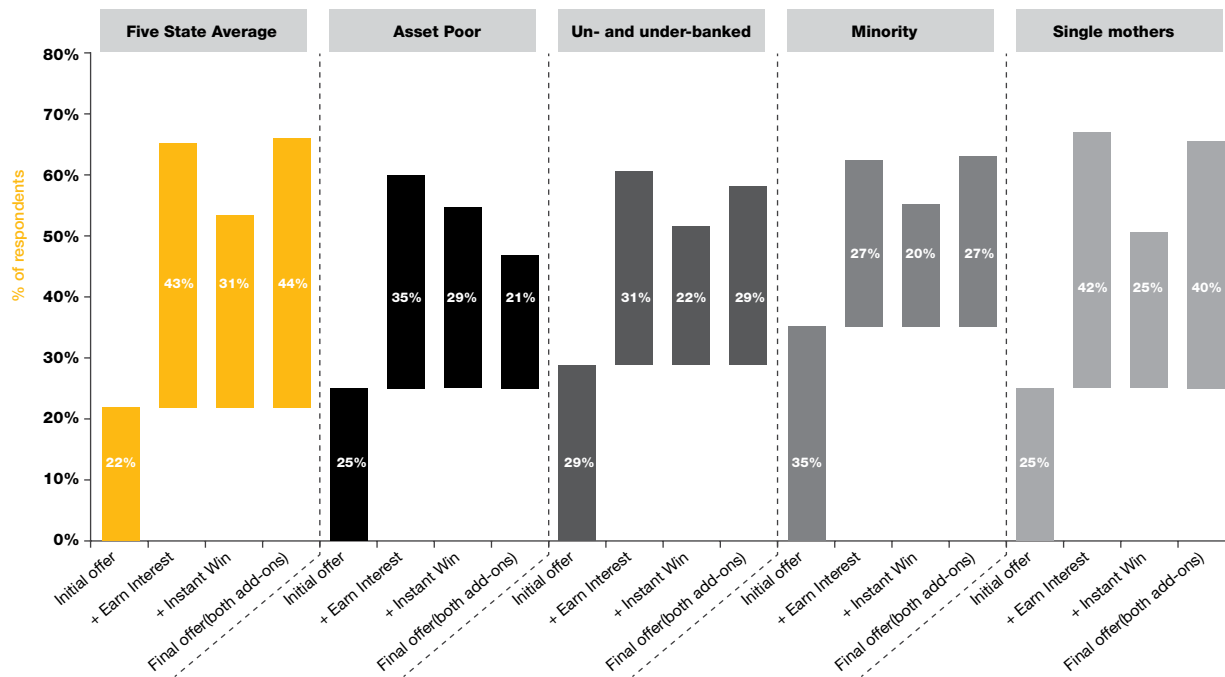
GAUGING INTEREST IN PRIZE-LINKED SAVINGS PRODUCTS

While respondents are sometimes interested in the basic PLS concept, it takes inclusion of specific features to spark significant interest. When asked for their opinion on a product described as a “savings account that gives you the chance to win prizes for saving money, both monthly prizes and a large grand prize of \$100,000 or more, but earns no interest on your savings,” only 22% of respondents expressed initial interest in the PLS concept. When specific product features were added to the PLS concept, these add-ons—earning interest on savings and having the opportunity to win instantly for any deposit any time—drove up interest in the PLS concept, with the five state average rising from 22% to 66%.

Chart B below summarizes these responses. Several findings emerge:

- The subgroups that we profile are more interested in the initial offer (as described above) than the average respondent. This is especially true of the un- and under-banked and the minority subgroups, who are 30% and 60%, respectively, more interested than the average respondent.
- A PLS product that offers both (1) interest rates and (2) chances to win instantly is significantly more popular than the initial offer for both the average respondent and the targeted subgroups.
- However, the subgroups are less interested in the final offer than the average respondent. The average respondent interest in the final offer is 66% and exceeds the subgroup weighted average of 56%.

Chart B: Financially vulnerable respondents interested in a basic PLS product⁸

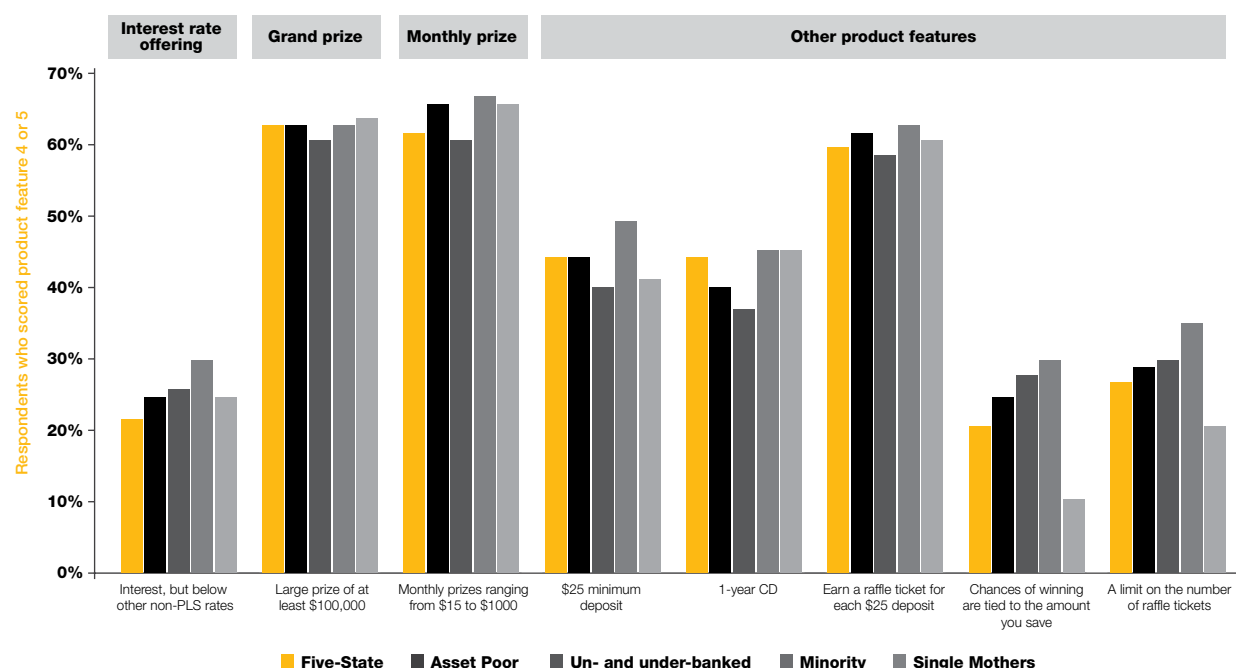


PLS PRODUCT FEATURE PREFERENCES

Designing a PLS product necessitates exploration of the interest rate offering, the grand prize, monthly prizes, and other product features that layer on additional limitations to, or benefits of, the product. Respondents were asked to rate various product features individually; they were not forced to make trade-offs between features. In the sections below we summarize the findings in terms of how strongly respondents feel about the inclusion or exclusion of these features. In the survey, respondents were asked to rate how much they liked each of the product features (see Chart C.1); these responses are explored in detail below.

⁸ Respondents were asked to select “Less interested”, “More interested”, or “Do Not Know” when introduced to each product feature. Any respondent who expressed interest in the initial offer and did not express less interest as additional features were added was included. Similarly, any respondent who responded “Do Not Know” or “No” to the initial offer but expressed that they were “More Interested” in the additional feature was included.

Chart C.1: Subgroups' preferences for specific PLS product features



INTEREST RATE OFFERING BELOW NON-PLS ACCOUNT RATES

Offering interest on a PLS account is an important feature for financially vulnerable consumers, but setting the appropriate interest rate is still an open question. Adding interest to the account offer made a zero interest prize-linked savings product much more popular (**Chart B**). When the rate offered is below non-PLS accounts, however, financially vulnerable consumers are not very enthusiastic about this type of product feature (**Chart C.1**). This survey did not examine the optimal interest rate that a financially vulnerable consumer is likely to want or expect, but we do know that for a savings account product, prizes alone will not appeal to the majority of consumers. The interest rate question in **Chart C.1** suggested to survey respondents that the interest rate feature was undesirable by specifying that rates were “below non-PLS accounts,” but the results do not provide clarity into how the financially vulnerable consumer actually evaluates or scrutinizes interest rates as part of a broader savings decision. More research and pilot testing is

also required to understand whether positioning PLS products as savings accounts creates higher expectations for interest rates. If the product were framed differently or linked to a different type of financial product, would financially vulnerable consumers still push for interest on the principal?

GRAND PRIZES

Individuals were asked to rank their preferred grand prize from the prizes below, and the results revealed that financially vulnerable households are less attracted to a large, winner-take-all, grand prize package. On average, individuals prefer that grand prize payouts are spread across more winners rather than given to a single winner. This is a challenging insight because a large-headline grabbing grand prize can attract significant attention and buzz.

<p><i>"Please review all of the grand prize package offers for the product. Which would be most attractive to you?"</i></p>	One (1) \$100,000 grand prize-winner
	Two (2) \$50,000 grand prize-winners
	Four (4) \$25,000 grand prize-winners
	Ten (10) \$10,000 grand prize-winners
	Twenty (20) \$5,000 grand prize-winners
	One hundred (100) \$1,000 grand prize-winners

Across nearly every subgroup, the most popular first choice for grand prize was \$1,000, which gives the PLS account holder the highest probability of winning. Consistent with these findings, the least-selected grand prize was the \$100,000 grand prize for a single winner. In fact, 80% of respondents chose the \$100,000 grand prize as their bottom choice for grand prize (**Chart C.2**).

The most popular responses when averaging respondents' top three grand prize selections are \$5,000 and \$10,000 (for 20 or 10 prize-winners). While this may be at odds with **Chart C.1** above, where roughly 60% of respondents liked a \$100,000 grand prize, we can infer that respondents liked the large grand prize package until presented with alternatives that offered more chances to win.

These findings raise the possibility that while a large, headline-grabbing prize may help with marketing, PR, and buzz, consumers will worry about the winner-take-all approach. Perhaps the idea of a non-guaranteed, headline-grabbing grand prize should be explored in conjunction with increasing the number of grand prize-winners. This would fulfill both objectives to create buzz and to allow for more guaranteed grand prize-winners.

Chart C.2: Grand Prize Size Preferences (Top Choice)

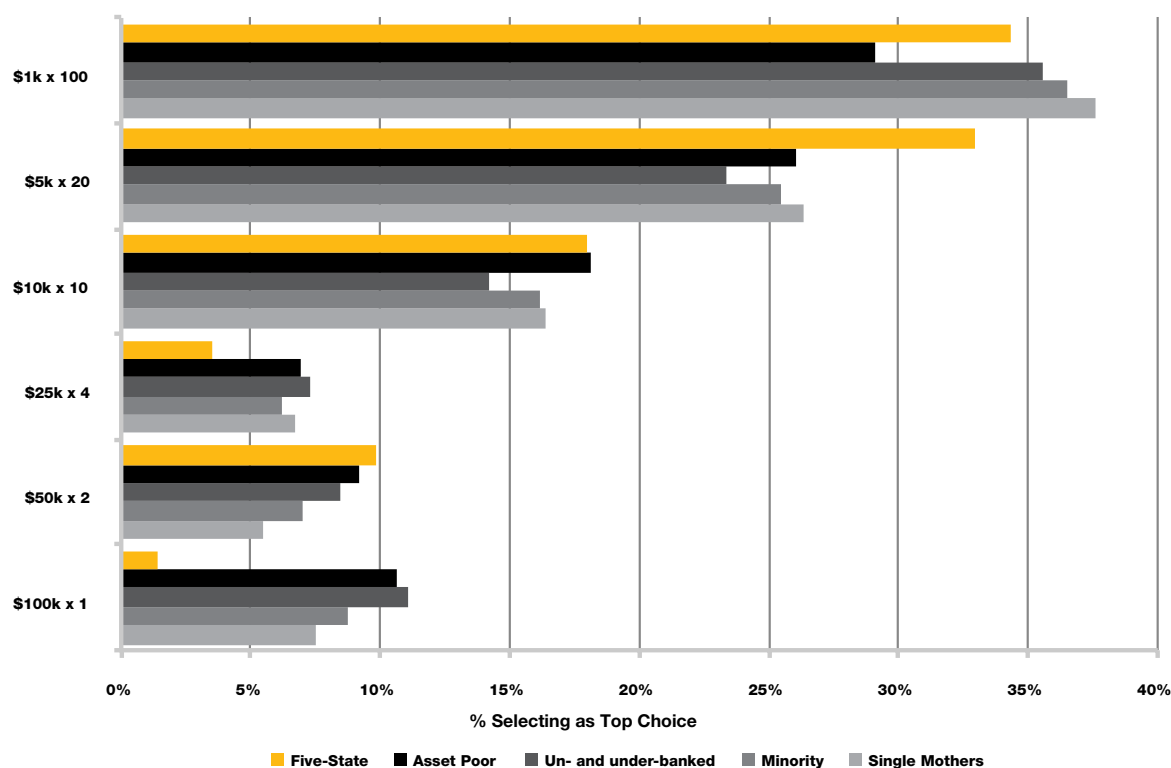


Chart C.2: Grand Prize Size Preferences (Top 3 Choices)

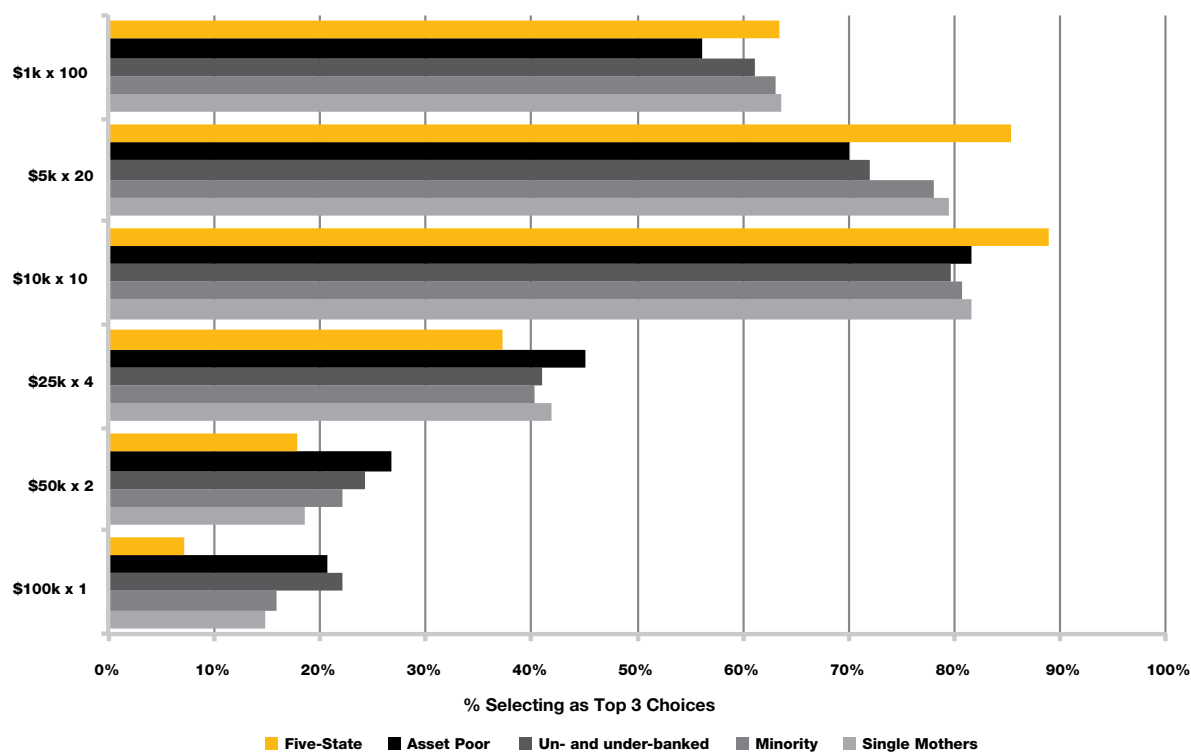


Chart C.3: Monthly Prize Size Preferences (Top Choice)

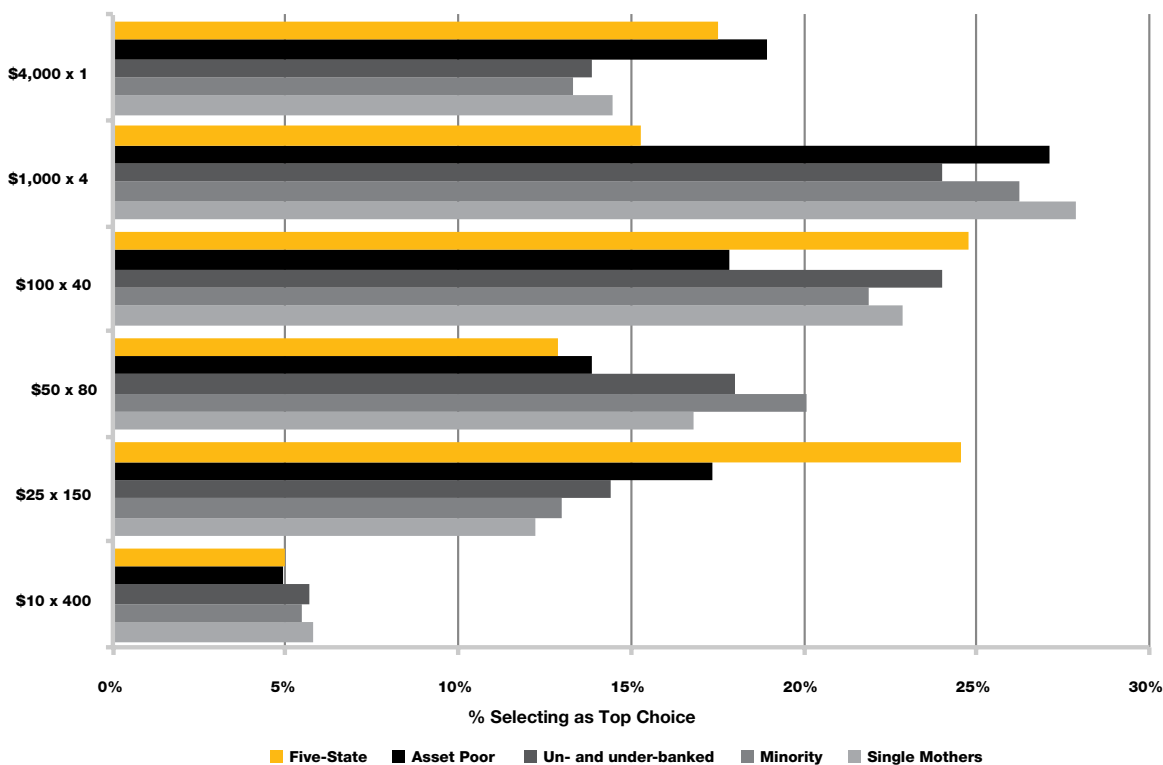
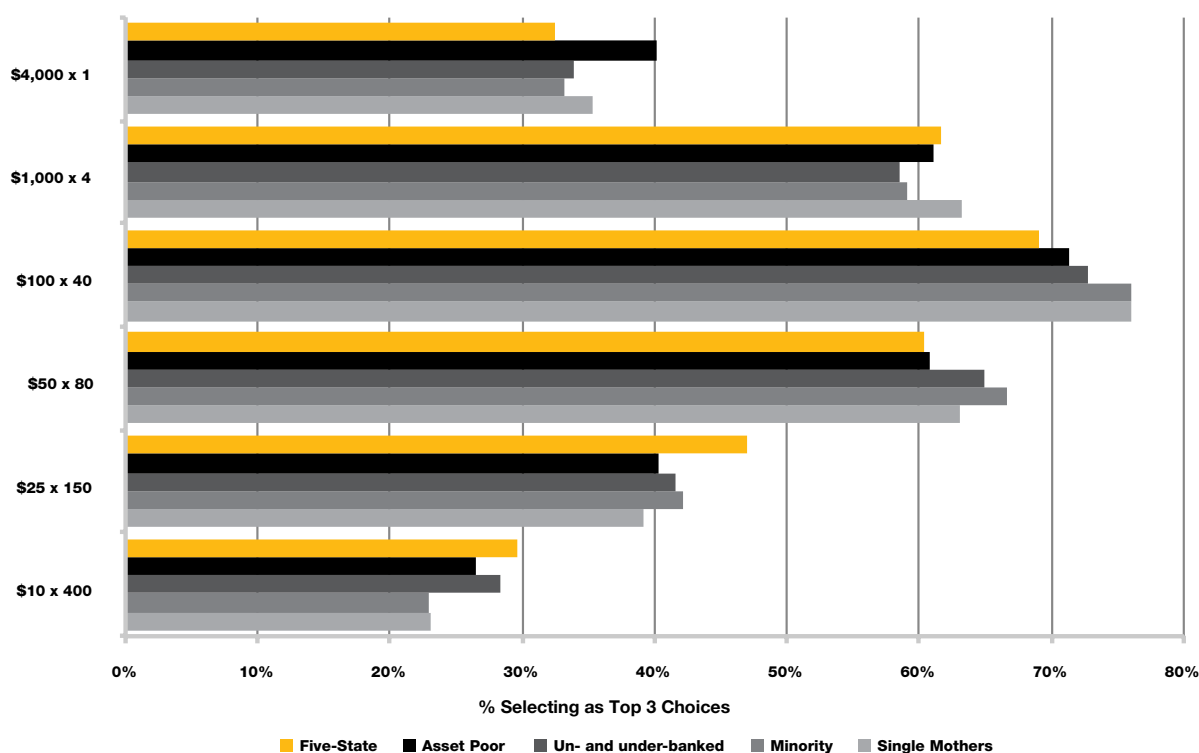


Chart C.3: Monthly Prize Size Preferences (Top 3 Choices)



MONTHLY PRIZES

Monthly prizes are the most popular of all product features (**Chart C.1**). This may be attributable to the fact that prizes awarded more frequently make consumers feel like they have more chances to win. Individuals were asked to rank their preferred monthly prize from the prizes below.

<p><i>"Please review all of the monthly prize package offers for the product. Which would be most attractive to you?"</i></p>	<p><i>Four hundred (400) \$10 winners per month (4,800/year)</i></p>
	<p><i>One hundred fifty (150) \$25 winners per month (1,800/year)</i></p>
	<p><i>Eighty (80) \$50 winners per month (960/year)</i></p>
	<p><i>Forty (40) \$100 winners per month (480/year)</i></p>
	<p><i>Four (4) \$1000 winners per month (48/year)</i></p>
	<p><i>One (1) \$4,000 winner every month (12/year)</i></p>

While this paper will repeatedly highlight financially vulnerable consumers' interest in improving their odds of winning, the monthly prize data reveals that survey respondents don't only focus on the highest odds of winning. Instead, they balance their chance of winning with some personal minimum threshold for prize size. At the minimum threshold – often around \$100 or \$1,000 – respondents stop pursuing better odds because they don't regard the prizes as large enough to make the tradeoff. The most popular choice varied by subgroup, but \$1,000 for four winners was a popular first choice. The most popular top three choices – for every subgroup and the five state average – was \$100 for 40 prize-winners, but \$50, \$100, and \$1,000 all had broad-based appeal.

There was some variation across subgroups. Relative to other respondents, single mothers slightly preferred more chances to win; they were the only subgroup whose top choice was a tie between \$25 payouts (150 winners) and \$100 payouts (40 winners). The minority subgroup slightly preferred larger payouts, with a greater proportion of this subgroup opting for the \$4,000 prize.

This analysis indicates that changing the monthly prize pool on a monthly basis might offer advantages in terms of meeting different consumer preferences and creating marketing excitement by allowing for different messaging and promotion each month. Making different offerings each month around the \$1000 - \$100 - \$50 levels and effectively communicating that to consumers could increase engagement. In addition, the monthly prizes offer the greatest opportunity to give consumers a feeling that they have good odds of winning, so careful attention should be paid to the number of prize winners and relative odds consumers face.

OTHER PRODUCT FEATURES

Additional product features explored in the survey have important roles to play in helping financially vulnerable Americans save money. As they responded to other product feature options it became clear that respondents liked:

- **Good odds of winning;**
- **The ability to improve their chances of winning;**
- **Product features that make the PLS product “fair”.**

When asked what matters more between winning “at least once” and getting a “substantial prize,” the majority (67%) of people prefer to win at least once.

The most popular feature, behind monthly and grand prizes, was the ability to earn a raffle ticket for each \$25 deposit. It appears that \$25 is an attainable savings threshold for many financially vulnerable respondents. A 1-year CD and \$25 minimum deposits were perceived favorably by between one-third and one-half of each subgroup, with the remaining respondents “Neutral” to these features. Notably, the 1-year CD also elicited one of the highest “Neutral” response rates which is interesting in light of the challenges financially vulnerable respondents might face for saving – and not being able to access – money for one year.

The least favored features were a limit on raffle tickets and a tie between chances of winning and the total amount of money saved. The strong support of raffle tickets for each \$25 deposit, juxtaposed with the dislike of tying chances of winning to savings volume, may demonstrate that the financially vulnerable prefer a system that is designed around activity-based rewards rather than volume-based rewards. Respondents may see this more favorably because they have the ability to take action by making weekly deposits rather than by “out-saving” the other PLS account members on pure relative dollar terms.

SHOULD WE CUSTOMIZE PLS FOR TARGET SUBGROUPS?

While customization limits potential for scale and sustainability, the varying preferences of our subgroups stresses the importance and need for targeted marketing and a diversity of product features. Creating an ideal PLS product for the financially vulnerable may require customized solutions, or at least tailored marketing strategies, because subgroups, while sharing some common ground, have unique preferences and behaviors for product attributes. A summary of these relative likes and dislikes is provided in **Table D**. These differences can inform how PLS products might be modified for specific consumers both in terms of design and in terms of marketing and distribution. In addition, outreach strategies and marketing messages can be tailored and improved so that take-up is robust for financially vulnerable Americans.

Table D: Summary of PLS product preferences of targeted subgroups

	<i>Relative likes</i>	<i>Relative dislikes</i>
<i>Five state average</i>	<ul style="list-style-type: none"> - Interest rates - Chances to win instantly 	<ul style="list-style-type: none"> - Basic (no add-on) prize-linked savings concept - Dollar volume-based prizes - Interest rates below non-PLS accounts
<i>Asset Poor</i>	<ul style="list-style-type: none"> - Interest rates - Smaller prizes - Chances to win instantly - Higher odds of winning 	<ul style="list-style-type: none"> - Lower odds of winning
<i>Un-and Under-Banked</i>	<ul style="list-style-type: none"> - Higher odds of winning 	<ul style="list-style-type: none"> - 1-year CD - \$25 minimum deposit
<i>Minority</i>	<ul style="list-style-type: none"> - Basic (no add-on) prize-linked savings concept - Larger prize sizes - Monthly prizes - Raffle ticket limits 	<ul style="list-style-type: none"> - Smaller prizes
<i>Single Mothers</i>	<ul style="list-style-type: none"> - Higher odds of winning - Smaller prizes - Interest rates - Chances to win instantly 	<ul style="list-style-type: none"> - Dollar volume-based prizes - Interest rates below non-PLS accounts

Asset poor. The asset poor responses demonstrate a strong preference for a range of product features that improve their payout opportunities. This subgroup was on the lower end of the preferred monthly prize sizes and tended to opt for \$50 and \$100 payouts more frequently than some subgroups. The same trend – a focus on higher odds versus large prizes – played out in the grand prizes. A relatively sizable portion of respondents expressed enthusiasm for both earning interest and chances to win instantly (**Chart B**), demonstrating receptiveness to a range of product features that improve the consumers’ payout opportunities. The asset poor also are most likely to be in larger households but less likely to live in metropolitan areas. Asset poor individuals have the lowest probability of having household incomes above \$40,000 but are not the lowest-income subgroup. In addition, 43% of asset poor respondents have no savings account, which makes it a bit surprising that they reacted so positively to an interest rate offer.

Un- and under-banked. This subgroup tends to closely mirror the average respondent. Relative to other subgroups, they tend to exhibit an “average” level of interest in a range of product features (**Chart C.1**). In response to a question about the tradeoff between winning a “substantial” prize and winning “at least once”, this subgroup had the highest percent (42%) interest in a “substantial prize” as opposed to winning at least once. Not surprisingly, this subgroup is less likely to seek information and resources from a financial institution, and the Internet is their most-often used resource (28%) after family (34%). The un- and under-banked have the oldest average age of the target subgroups, and 17% of these individuals are retired, versus less than 10% of the individuals in other targeted subgroups. Most importantly, 78% of this subgroup owns no savings account today, suggesting that adoption of a PLS product may be a more arduous process for this subgroup. Additionally, relative to the other financially vulnerable subgroups, the un- and under-banked actually have the largest portion of respondents with over \$20,000 in financial assets of any targeted subgroup, and they have one of the higher household income levels. This subgroup tends to have 1- or 2-person households more often (80%) than the other targeted subgroups.

Minority. This subgroup reacted most favorably to the initial PLS offer, and they were the subgroup that scored monthly prizes most favorably. This subgroup has the highest reported regular savings habit, with 25% of the subgroup saving regularly by putting money aside each month. This subgroup also tended to have a larger portion of respondents who reacted positively to the winner-take-all scenarios. Roughly half of this subgroup is made up of un- and under-banked respondents. This subgroup is more likely to live in a metropolitan area (73%) and be employed (45%) relative to the other subgroups. In addition, the minority subgroup had the highest rate of respondents with household incomes above \$40,000 (26%).

Single Mothers. Single mothers (13% of respondents) expressed more interest in the ‘add-ons’ to the initial PLS product offering, as shown in **Chart B**. They had more pronounced negative reactions to product features that they may perceive as burdensome or unfair. For instance, in **Chart C.1**, a \$25 minimum deposit to open a PLS account is more negatively perceived by single mothers than by other subgroups. Another factor that suggests that single mothers are more focused on fairness is their response to the question “If you opened one of these accounts and saved money for a year, would it be more important to you that you win at least once, or that if you win, the prize is substantial?”; 77% of single mothers answered “that I win at least once” versus 61% of the five state average and 64% of the next-highest subgroup. Only 10% of single mothers gave a positive score to a feature where “the odds of winning are tied to the amount of money you save in the account as well as the amount all account holders save.” Relative to other subgroups, single mothers are much more likely to report that they look for information or resources on TV (27% versus an 8% five state average) and less likely to look for information or resources from a financial institution (18% versus a 34% five state average).

HOW WOULD WE MARKET A PLS PRODUCT?

The marketing of PLS requires a broad based message as well as specific marketing messages that target each financially vulnerable subgroup. The likes and dislikes above provide guidance around what product features might be emphasized with particular audiences in marketing efforts. For example, prize variations that focus on chances to win instantly would seek to engage the asset poor who value this type of feature; or larger prizes may be the focus in the outreach and communication to minority consumers.

When thinking about reaching the financially vulnerable, three key attributes should be kept in mind by marketers:


- **Younger Audience** The subgroups we profile are younger than the average respondent, are more likely to be in larger households, and are less likely to seek financial information but use a variety of sources when they do so. This raises challenges for where and how to focus marketing efforts. The majority of financially vulnerable subgroups tend to use radio and TV to gather financial product information.
- **Female Consumer** Notably, the survey identified that several subgroups have a majority of women. Beyond the single mother subgroup, women account for 59% of the asset poor subgroup and 61% of the minority subgroup. This suggests that there may be a benefit to targeting women in PLS advertising.
- **Affinity for the State Lottery** Several subgroups also have higher-than-average interest in the state lottery as their top choice of institution to offer a PLS product. As a result, the state lottery may also be a channel through which to advertise the PLS product. This option is discussed in greater detail in the section below.

Given the overwhelming interest in chances to win, marketing messages should emphasize the multitude of product features that relate to these odds, e.g. high-frequency, high-odds prizes available in every monthly prize drawing as well as activity-based prizes that enable account holders to take actions to improve their odds by earning raffle tickets. While a few messages are compelling, it appears that no single product feature is sufficient to attract most financially vulnerable consumers. Since any one feature beyond prizes tended to evoke neutral responses in some number of consumers, a broad PLS product promotion may have to emphasize several of the key product features as opposed to only a single headline feature.

DISTRIBUTION: GETTING PLS INTO MORE FINANCIALLY VULNERABLE HANDS

The table below summarizes consumers' distribution channel preferences. In general, financial institutions are the dominant channel. Within this channel, local community banks have the most broad appeal, with over 70% of all subgroups listing them among their top three choices. However, credit unions are the most popular top choice for all but the un- and under-banked subgroup. Very few respondents ranked credit unions or local community banks toward the bottom of their list of preferences.

Table E: Interest in various channels for distribution of a PLS product

 =most popular	Five State overall	Asset poor	Un- and under-banked	Minority	Single mothers
<i>Top Choice</i>					
Large, national bank	22%	23%	20%	19%	21%
Local community bank	24%	21%	24%	15%	17%
A credit union	28%	28%	17%	24%	32%
A check-casher	5%	7%	11%	11%	2%
Wal-mart	5%	5%	9%	7%	10%
An online bank	4%	2%	3%	6%	2%
Retirement plan	3%	3%	3%	4%	4%
Federal government	1%	3%	3%	2%	1%
State lottery	8%	9%	9%	11%	11%
<i>Top 3 Choices</i>					
Large, national bank	62%	59%	59%	58%	62%
Local community bank	77%	73%	75%	71%	71%
A credit union	58%	52%	45%	50%	56%
A check-casher	10%	13%	18%	17%	5%
Wal-mart	18%	24%	27%	20%	24%
An online bank	20%	20%	13%	18%	17%
Retirement plan	23%	16%	19%	21%	20%
Federal government	14%	19%	20%	20%	19%
State lottery	19%	23%	23%	25%	27%

In addition to financial institutions, respondents ranked other channels through which they might buy a PLS product. Because no single channel is either used by or preferred by all financially vulnerable consumers, there may be strong rationale to use a dual-channel, if not a triple-channel, approach; or to launch different PLS products in new channels. Wal-Mart and the state lottery each garnered some interest from the financially vulnerable. For instance, the state lottery is the top choice for 9-11% of our profiled subgroups and is a top three choice for at least 20% of each subgroup. Wal-Mart earns a top three spot among 20-27% of the subgroups and is especially popular among the un- and under-banked. Check cashers and the Federal Government are highly un-favored for promotion of a PLS product. Nearly a third of single mothers listed online banks as their last choice.

RECOMMENDATIONS FOR PLS PRODUCT DESIGN

Based on the findings presented above, seven broad recommendations are outlined below. These recommendations take into account the needs of all the subgroups explored above, although different marketing approaches might be used for each subgroup.

1. Offer activity-based incentives rather than just volume-based incentives

The financially vulnerable like opportunities to improve their chances through increased activity, e.g. frequent deposits. Putting a limit on these activity-linked prizes generates negative reactions among approximately 30% of respondents. Linking chances to win to the volume of savings rather than to activities such as deposits is actively disliked by 30-40% of the financially vulnerable respondents, who may see this feature as less motivating.

2. Consider providing instant chances to win

When prizes are linked to frequency of an activity, such as making a deposit, the financially vulnerable also may prefer the chance to win right away as opposed to building up chances over time: the promise of an instant prize is meaningful. As shown in **Chart B**, this feature made 20-30% more respondents interested in the PLS product.

3. If framed correctly, consumers are likely to accept lower interest rates and a minimum initial deposit

Financially vulnerable respondents are very attracted to the availability of earning interest, as demonstrated in **Chart B**, which typically motivated an additional 27-42% of respondents to be interested in the PLS product. However, offering an interest rate below the rates of non-PLS accounts is still disliked by roughly 30% of the financially vulnerable. While the ideal feature would offer interest rates in line with non-PLS accounts, consumers may accept a lower interest rate if impressed by other PLS product features.

Respondents are also likely to accept a \$25 minimum deposit. As **Chart C.1** shows, while this feature is not popular relative to other product features, roughly 40% of respondents do like the feature. More important is the fact that a minimum deposit also elicited 'Neutral' responses from nearly half of respondents. Many consumers appear to be indifferent to this product feature, so the inclusion of a minimum will dissuade very few.

4. Messaging, framing, and information are influential in driving interest and take-up

Significant numbers of respondents selected 'Neutral' or 'Do Not Know' when asked about certain product features. This response highlights the fact that consumers may respond to messages and product features differently, or not at all, and may need to see a range of product details before gaining interest. For instance, within the un- and under-banked subgroup, those who have no open accounts with financial institutions express lower interest in PLS, and this may be driven by the fact that the product was positioned as a savings account.

5. Expanding access to PLS through new channels should be explored in greater detail

While financial institutions are popular channels through which to offer a PLS product, no single financial institution is popular among over three-quarters of respondents. The popularity of national banks, community banks, and credit unions is about the same. This argues for channel expansion to reach more financially vulnerable consumers. Beyond FIs, the most popular alternative channels that may be considered are the state lottery and large retailers such as Wal-Mart.

6. Monthly prize variation can attract different subgroups of consumers and strengthen engagement

Consumers' ideal prize sizes typically ranged from \$50 to \$1,000 for monthly payouts. With this variability in preference, it is useful to consider regularly modifying the monthly prize combinations. This would allow different marketing messages and outreach to particular subgroups in certain months to augment overall consumer engagement.

7. A shift away from winner-take-all grand prize to smaller payouts for more winners can attract more financially vulnerable consumers.

A major finding for this survey is that consumers are attracted to the chance to win. By offering grand prizes for many winners and by emphasizing these significantly higher probabilities of winning, a PLS product may be more attractive to the financially vulnerable consumer. Consumers did not rank the largest grand prize – \$100,000 – as the most attractive. The most popular choice was \$1,000 for 100 grand prize-winners, but \$5,000 for 20 and \$10,000 for 10 winners were also quite popular among respondents. These payout packages were all more popular than a \$100,000 grand prize to be awarded to a single

individual. It may be the case that \$5,000 or \$10,000 payouts are perceived as a very significant prizes that could enable the financially vulnerable to eliminate debt or make important purchases. As such, these amounts are preferred because they are sizable but also are coupled with greater chances to win, which may increase the “fairness” of the prize payout structure. More work is needed to explore the role that a headline prize plays in marketing/PR versus its role in getting consumers excited about saving and building this important financial capability.

V. CONCLUSION

Prize-linked savings products may appeal to financially vulnerable households, but designing and marketing the best product requires deliberate choices and tradeoffs. A stand-alone PLS product doesn't motivate consumers to sign up without the addition of key features including interest, additional chances to win, instant winning opportunities, and clear articulation of the probabilities of winning. While the financially vulnerable share some preferences when it comes to PLS, there are differences that can largely be addressed through how the PLS product is marketed and distributed. By increasingly emphasizing chances to win, by striking a balance such that grand prizes are awarded to multiple winners but are also large enough to be ‘attention-grabbing’, and by utilizing a multi-channel distribution and marketing approach, PLS products have a chance to become more widely adopted and impactful.

For more information on prize-linked savings policy and research, visit www.d2dfund.org



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