

The State of Prize-Linked Savings



Introduction

Prize-linked savings (PLS) is a proven, innovative, and engaging approach in which savers can earn chances to win prizes by making savings deposits. Commonwealth has been the leading voice for advancing the concept of PLS in the United States for over a decade. During that time, PLS has expanded in its reach and impact across products and geographies. There are more opportunities for PLS to continue to grow participation, drive business value for institutions, and help financially vulnerable people build savings, which is a critical step on the path to financial security. This brief describes the state of the PLS market today and highlights opportunities for continued growth and innovation.

The Prize-Linked Savings Market Today

Since 2009, PLS products have driven more than \$685 million in savings in over 287,000 accounts nationwide.¹ Commonwealth has fielded consumer research, partnered in design, launch and promotion, and/or conducted evaluations of almost every available PLS solution.

As of May 2018, there are 17 active PLS products in market, and more under development. Credit unions have been the standard bearer for PLS in the U.S., with a long history of individual institutions offering their own products as well as multiple “off-the-shelf” options—in which credit unions can offer products operated by a third party—now operating in 15 states. Since 2009, credit union members have opened over 82,000 PLS accounts and saved over \$190 million. The largest single PLS solution is a prepaid card: Prize Savings on the Walmart MoneyCard generated \$600 million saved in over 200,000 accounts in its first year. Fintech companies are relatively new on the scene but are innovating with the widest range of features and user experiences. Banks have been slow to adopt PLS, but three community banks have taken the initiative to design and launch their own products. The table below summarizes the available products by sector:

Sector	Description	Products
Credit Unions	<ul style="list-style-type: none">• Two established, off-the-shelf solutions available for CUs that want to offer a product• Several single-institution products• Available in 16 states	<ul style="list-style-type: none">• Save to Win (12 states) †• WINcentive Savings (MN) *†• Lucky Savers (NY) *†• Del-One Credit Union's WINcentive Savings (DE)*• Lucky Lagniappe (LA)* †• Prize Savings - Neighborhood Credit Union (TX)• Forum Weekly 5 – Forum Credit Union (IN)• Save 2 Win – Bossier Federal Credit Union (LA) <small>†multi-institution products *offered in partnership with the Minnesota Credit Union Network and WINcentive Savings</small>
Banks	<ul style="list-style-type: none">• Three small community institutions offering their own products• Available in five states	<ul style="list-style-type: none">• Jackpot Savings – Blue Ridge Bank (VA)• Win-Win CD – Community Bank (WA, OR, ID)• First Prize Savings - First County Bank (CT)
Prepaid	<ul style="list-style-type: none">• One large player offering PLS nationwide	<ul style="list-style-type: none">• Prize Savings on the Walmart MoneyCard
Fintech	<ul style="list-style-type: none">• Three web- or app-based products available nationwide• Three require opening a new account and two require connecting an existing account to a web platform.	<ul style="list-style-type: none">• SaveUp• Long Game• Win Win• NerdWallet• Grand

1. https://buildcommonwealth.org/publications/history_prize_linked_savings



Prize-Linked Savings Market Opportunities

The last ten years have seen a considerable expansion of the reach and impact of PLS, but more can be done to ensure that PLS solutions reach their full potential to help make people financially secure. Opportunities to build on the success of existing PLS products include:

- **Greater adoption by financial institutions – particularly among banks.** Overall, most Americans still do not have access to a PLS product at their primary financial service provider.
- **More robust marketing efforts to significantly drive participation.** Marketing budgets remain relatively small for the products currently in market and have primarily relied on in-person and word-of-mouth interaction to drive awareness.
- **New distribution and partnership opportunities to connect financially vulnerable customers to PLS products.** For example, people could access products through employers, tax preparation products, payroll providers, schools or child saving programs, or community-based organizations. The FUNd my Future children's savings account program, the SaveYourRefund tax-time saving campaign, and a prize component on the payroll card for New York City's summer youth employment program provide promising models to build on.
- **Innovative features for existing and new PLS providers.** Prize size and frequency, ways to earn entries, and new engagement/communication strategies can be combined in an endless number of new and exciting ways. Messaging and chances to win can also be tied to important “moments” in people's financial lives, like a tax refund or pay raise.

Sector	Opportunities for Innovation	Market Size and Benefit of PLS
Credit Unions	<ul style="list-style-type: none"> • Richer marketing and greater penetration rates among members at institutions already offering a PLS product • Different game structures 	<ul style="list-style-type: none"> • As of the end of 2017, there were 5,684 credit unions in the U.S. with over 112 million members² • Benefits: Mission-aligned to support member financial security
Banks	<ul style="list-style-type: none"> • More banks offering PLS products • Multi-institution or multi-state “off-the shelf” products 	<ul style="list-style-type: none"> • As of the end of 2017, there were 5,670 total FDIC-insured banks.³ 65% of people indicated that their primary checking account was with a bank or thrift.⁴ • Benefits: Being among the first movers to offer PLS as a bank
Prepaid	<ul style="list-style-type: none"> • Stronger marketing for existing product • New products on other card platforms 	<ul style="list-style-type: none"> • Over 12 million people use prepaid cards at least once a month⁵ • Benefits: Use of savings feature on prepaid cards is associated with more card transactions and longer tenure⁶
Fintech	<ul style="list-style-type: none"> • Better targeting of financially vulnerable users who stand to benefit most from PLS 	<ul style="list-style-type: none"> • Fintech banks (or “neobanks”) are still a small number of overall banking relationships but are growing quickly. For example, the app Chime was adding 100,000 users per month in early 2018.⁷ • Benefits: PLS could act as a “hook” or draw for engagement

2. [https://www.cuna.org/uploadedFiles/Global/About_Credit_Unions/NationalProfile-D17-Bank\(1\).pdf](https://www.cuna.org/uploadedFiles/Global/About_Credit_Unions/NationalProfile-D17-Bank(1).pdf)

3. <https://www.fdic.gov/bank/statistical/stats/2017dec/industry.pdf>

4. <https://www.bostonfed.org/publications/research-data-report/2017/the-2015-survey-of-consumer-payment-choice-summary-results.aspx>

5. http://www.pewtrusts.org/-/media/legacy/uploadedfiles/pcs_assets/2014/prepaidcardssurveyreportpdf.pdf

6. https://buildcommonwealth.org/publications/paving_way_forward_savings_prepaid_cards

7. <https://www.americanbanker.com/news/the-challenger-bank-chime-says-it-has-750-000-millennial-customers>



In addition, providers that enter the market can drive business value by offering PLS, including:

- **Growth in core deposits:** Changes in the interest rate environment might make the acquisition of savings deposits more attractive to institutions of a range of sizes.⁸
- **Customer acquisition:** Among surveyed credit union PLS accountholders, between 9-14% said they joined their credit union in order to access the PLS product.⁹
- **Increased customer satisfaction:** While Gallup found that only 36% of customers feel that their financial institution is looking out for their financial well-being,¹⁰ between 72-80% of the surveyed credit union members said that the PLS product makes them more excited about their credit union. One large bank study found that “satisfaction is positively related to customer retention, number of services used by a customer (cross-sell), and customer share-of-wallet... [And] customer satisfaction has the biggest impact on cross-selling.”¹¹
- **Graduation from savings to other products:** The same Gallup study found that customers who believe their financial institution is looking out for their financial well-being “have a 13% higher penetration in credit products and a 22% higher penetration in investment, insurance, or advisory products.” In the credit union survey, 60-63% of PLS accountholders said that building their savings would make them more likely to use other financial products at their credit union.

Conclusion

Prize-linked saving offers a promising option for nearly half of the population that is struggling to build savings. As a variety of products have shown over the past ten years, PLS can excite customers and help them save while delivering business value to institutions. There is significantly more market potential for existing and new PLS solutions to grow, innovate, and expand their impact. Commonwealth looks forward to continuing to explore product design and distribution models through new and ongoing partnerships that capitalize on opportunities for innovation.

8. <https://www.americanbanker.com/data/the-one-bank-metric-that-matters-most-now>; <https://www.americanbanker.com/opinion/there-is-plenty-for-banks-to-worry-about-in-2017>

9. <https://buildcommonwealth.org/publications/prize-linked-savings-in-credit-unions-2017>

10. <http://www.gallup.com/opinion/gallup/176534/looking-customers-financial-table-stakes-banks.aspx>

11. https://www.researchgate.net/publication/227442466_Customer_Metrics_and_Their_Impact_on_Financial_Performance

