

European Consumers Turn From Cash To Prepaid For Financial Control

New research reveals consumer demand for more innovation in prepaid programmes

Waterloo, Belgium, 9 May 2008 - Nearly three quarters of European consumers (71%) appreciate the financial control a prepaid payment card offers, when presented with the potential benefits compared to cash and cheques, and recognise that it would stop them from overspending, according to new independent research commissioned by MasterCard. More than half of European consumers (54%) also value prepaid cards as a budgeting tool which would allow them to set money aside for specific purposes, from weekly grocery shopping to holiday expenses.

Speaking at the second annual MasterCard Europe Prepaid Conference in Cannes this week, Chris Reddish, Global Product Head of Prepaid Europe, MasterCard, said: "In a climate of growing global concern about indebtedness, consumers are seeking transparent and user-friendly financial tools that can help them with budgeting for both everyday and special occasions. This research confirms that consumers are increasingly willing to turn to prepaid cards as a means of responsible spending and financial planning."

The study, conducted for MasterCard by *ase Market Intelligence* in April 2008 via online interviews with 1,012 consumers in the UK, France, Italy, Germany and Poland, also shows that consumers are now demanding more from their prepaid cards than just the ability to conduct a traditional transaction.

Two thirds (66%) of those surveyed were receptive to the idea of a loyalty scheme that entitled them to discounts at participating retailers, while more than half (51%) were keen to see 'Tap & Go™' functionality added to prepaid cards, allowing them to simply touch the card on a special reader to make a payment more quickly and conveniently. A further 46% said they would value a prepaid card that allowed them to make a charitable donation with every purchase.

Reddish continued:

"The research highlights that European consumers are becoming savvier about what the card in their wallet can offer them - from discounts to greater speed at the checkout - but it's particularly interesting to see that nearly half would also like it to reflect their ethical beliefs."

Prepaid is one of the most rapidly growing sectors in the payments industry. Its popularity is driven by the financial freedom it offers to cardholders, who can access the security, convenience and global acceptance of a payment card simply by purchasing it over the counter, without needing to link it to a bank account. The new research shows that awareness of prepaid as a method of payment is at an all-time high (62%) among consumers across Europe, particularly amongst 35-44 year-olds, homemakers, manual workers, those on low incomes or in education, the unemployed and retirees.

Overview of consumer attitudes to prepaid cards by market:

	UK	France	Italy	Germany	Poland
Aware of prepaid as payment method	67%	54%	87%	63%	39%
Recognise it would stop them overspending	80%	72%	74%	57%	72%
Allows them to budget by setting money aside for specific purposes	60%	43%	60%	43%	67%
Prefer it to cash as it increases personal security	54%	48%	71%	36%	74%
Prefer it to cash as it is more convenient	56%	54%	80%	52%	69%
Value it as tool for shopping securely in non-cash channels, such as online or via telephone	65%	52%	87%	47%	72%
Appreciate ability to use at ATMs and POS when abroad	62%	44%	80%	53%	67%
Would like loyalty scheme added	64%	52%	74%	63%	78%
Would like Tap & Go functionality added	46%	38%	67%	45%	59%
Would like facility to make charitable donation added	41%	50%	55%	32%	57%

Most popular types of purchase where consumers would use a prepaid card:

UK (base: 69)	France* (base: 45)	Italy (base: 133)	Germany (base: 75)	Poland (base: 114)
Groceries/food (26%)	Groceries/food (24%)	Online purchases (41%)	Small expenses/ everyday spending (44%)	Groceries/food (27%)
Expenses while on holiday (19%)	Small expenses/ everyday spending (20%)	Small expenses/ everyday spending (24%)	Groceries/food (31%)	Small expenses/ everyday spending (25%)
Holidays (16%)	Appliances/ electrical/ furniture (18%)	Expenses while on holiday (12%)	Holidays (18%)	Expenses while on holiday (16%)

Large expensive purchases (14%)	Holidays (16%)	Holidays (9%)	Clothes (17%)	Appliances/ electrical/ furniture (16%)
Presents/Xmas/ birthday (14%)	Bills (11%)	Appliances/ electrical/ furniture (8%)	Large expensive purchases (14%)	Online purchases (15%)

In Europe, spending on ‘everyday money’ prepaid cards is expected to reach nearly €14billion – 18.6% of the worldwide total - by 2010¹. When combined with anticipated growth of other prepaid applications, such as gift, travel and business cards, this estimated value in Europe alone rises to nearly €120 billion, demonstrating the huge potential of the prepaid market.

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Notes to Editors

The MasterCard Europe study was conducted by *ase Market Intelligence* and involved 1,012 web-based interviews with consumers aged between 18 and 65 years-old in the UK (204), France (201), Italy (203), Germany (200) and Poland (204), conducted between 11 and 17 April 2008. The totals for each country have been aggregated and are unweighted.

About Prepaid:

Prepaid card market expansion across the world is being driven by a variety of prepaid service providers and issuing banks, which recognise the customer acquisition and retention opportunities that prepaid card programmes can bring. In Europe, MasterCard works in partnership with these businesses to help them maximise the revenue potential in this regional market – one of the most innovative and creative marketplaces in the world. The European region is also a hotbed for prepaid card development, with customised programmes offering specific features and benefits proving a necessity to meet a diverse range of customer needs. MasterCard is able to present one of the industry’s most exciting prepaid programme portfolios to help you succeed in harnessing this potential - with independent research showing that by 2010, people across Europe will collectively have more than 360 million prepaid payment cards in their pockets at any one time². For more information, go to <http://www.mastercard.co.uk/prepaid>.

About MasterCard Europe

MasterCard Europe is the entity responsible for managing MasterCard Worldwide’s business in Europe - for Europe. With headquarters in Waterloo, Belgium, MasterCard Europe works with 51 European countries organized administratively into three customer areas, incorporating the Single Euro Payments Area (SEPA), mature markets and the developing markets of Europe, stretching as far afield as the eastern border of Russia. Through its network of local offices, MasterCard Europe can understand and meet the diverse needs of customers in the very different types of markets throughout Europe, enabling people to do business in their own way in their own language.

Through MasterCard Worldwide, MasterCard Europe offers its European customers and consumers access to leading payment services throughout the world. MasterCard Worldwide advances global commerce by providing a critical economic link among financial institutions, businesses, cardholders and merchants worldwide. As a franchisor, processor and advisor, MasterCard develops and markets payment solutions, processes over 18 billion transactions each

¹ Source: Independent research commissioned by MasterCard Worldwide, December 2006

² Source: PSEL Research, May 2006

year, and provides industry-leading analysis and consulting services to financial institution customers and merchants. Through its family of brands, including MasterCard®, Maestro® and Cirrus®, MasterCard serves consumers and businesses in more than 210 countries and territories. For more information, go to www.mastercardworldwide.com.

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