

How Canadians Pay Today

SHIFTING PAYMENT TRENDS LEADING CANADIAN
CONSUMERS TO OPEN LOOP PREPAID CARDS

Introduction

The mobile and digital world we live in has changed the way we connect, communicate, shop and even pay. Not only have our processes changed, but our mindset as well. Payments have become the last critical part of the customer journey and we are asking for more out of our payments tools with respect to helping us budget, tracking our finances, avoiding fees and making our lives simpler and more convenient.

Open loop prepaid products have become a part of the mainstream economy in the U.S. and around the world as a tool that meets changing consumer needs. Canadians are migrating to open loop prepaid cards as they offer consumers a set spending limit so they can stick to a budget, as well as access to online tracking tools and text alerts to help them monitor spending. In addition, they are a non-credit product, so they relieve consumers of the risk of accruing interest, NSF fees and overdraft fees, along with not requiring them to establish a bank account.



Open loop prepaid cards look and function like traditional credit and debit cards and can be used anywhere the card network (American Express, MasterCard and Visa) is accepted, including online and around the world. However, they do have a significant difference to credit and debit cards: they access a set amount of funds that have been pre-loaded for a consumer by a consumer, business or government.

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Open loop prepaid cards are the fastest growing form of electronic payment in the U.S., reaching USD \$200 billion in merchant spending in 2014. Canada's market is expected to follow this growth trend as Canadians look for secure and convenient ways to manage their finances, budget and reduce debt. According to MasterCard Canada, the industry is expected to reach CDN \$4.9 billion in merchant spend in Canada in 2015.

Due to the growing popularity of open loop prepaid cards in Canada, the Canadian Prepaid Providers Organization (CPPO) commissioned a survey conducted by Leger Research to examine the attitudes, behaviours and consumer trends, with respect to payments and what new tools consumers are considering to help them solve their payments challenges. Entitled "How Canadians Pay Today," the survey of 1,003 Canadian

consumers was conducted May 6th – 15th, 2015 via the Leger Research online panel, LegerWeb. The survey revealed that many Canadian consumers have faced challenges with the current ways they are using their bank accounts, debit cards and credit cards to manage their finances, budget and pay for goods.

These survey findings reinforce that there is a place for open loop prepaid cards in Canada in addition to other payment offerings and they may help solve many of the financial challenges consumers are facing.

Canadians are moving away from cash

3/4 of Canadians prefer plastic to cash



78%

make **fewer purchases using cash** then they used to

74%

do not like to carry large amounts of cash so they prefer to use a card

Despite the trend away from cash, Canadians are concerned about the security of their payment cards



65%

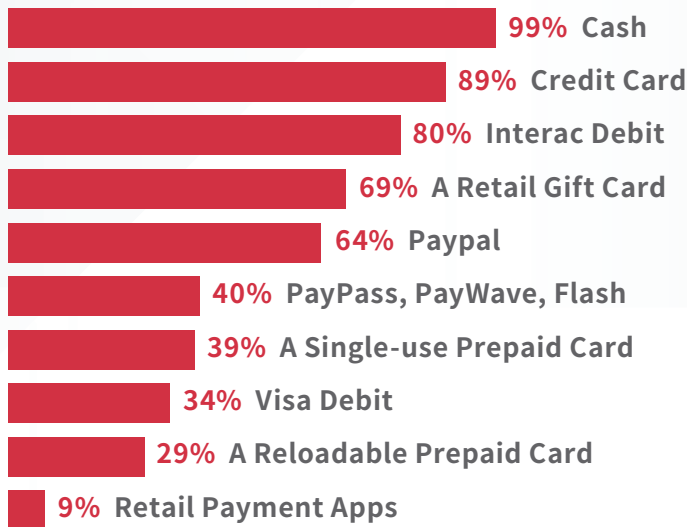
are concerned about using their debit and credit card at online retailers

45%

of Canadians are worried about the safety of their funds when using debit and credit cards. This is significantly higher in Alberta (61%)

More than half of Canadians have faced a financial challenge with their current payment products

HOW CANADIANS PAY



33%

of Canadians have paid an overdraft fee

38%

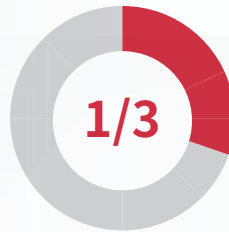
are surprised by monthly bank fees

27%

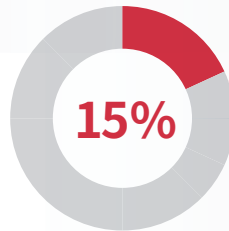
have been charged an NSF fee by their bank



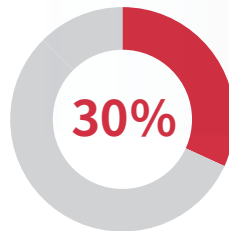
Budgeting remains a challenge for Canadian consumers



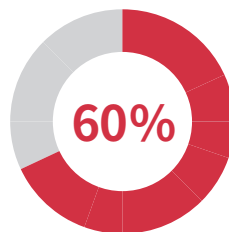
Less than one-third of Canadians set a budget, stick to a budget and they have difficulty tracking their spending



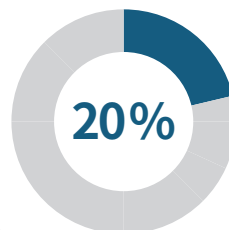
15% of Canadians rarely or **never stick to a budget**



Almost **one-third (30 per cent)** **cited difficulty in tracking spending** because they use their debit or credit card for most purchases



60 % want online services or apps to help them budget



Millennials are the least likely to stick to a budget (20%) and the most interested in budgeting tools compared to other age groups

Canadians are starting to look for new financial tools to help them avoid fees and overspending



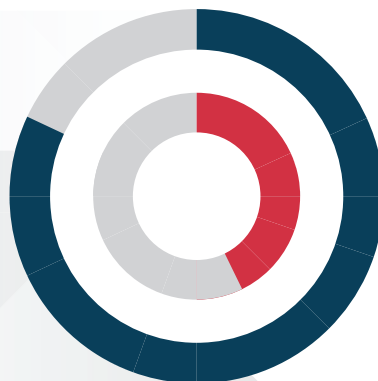
One fifth of Canadians are using gift cards to help them set personal spending limits when they shop

After learning about the benefits of open loop prepaid cards,

over half (55%) would consider using one

40%

would welcome a payment card with a set spending limit, such as an open loop prepaid card, so they can stick to a budget



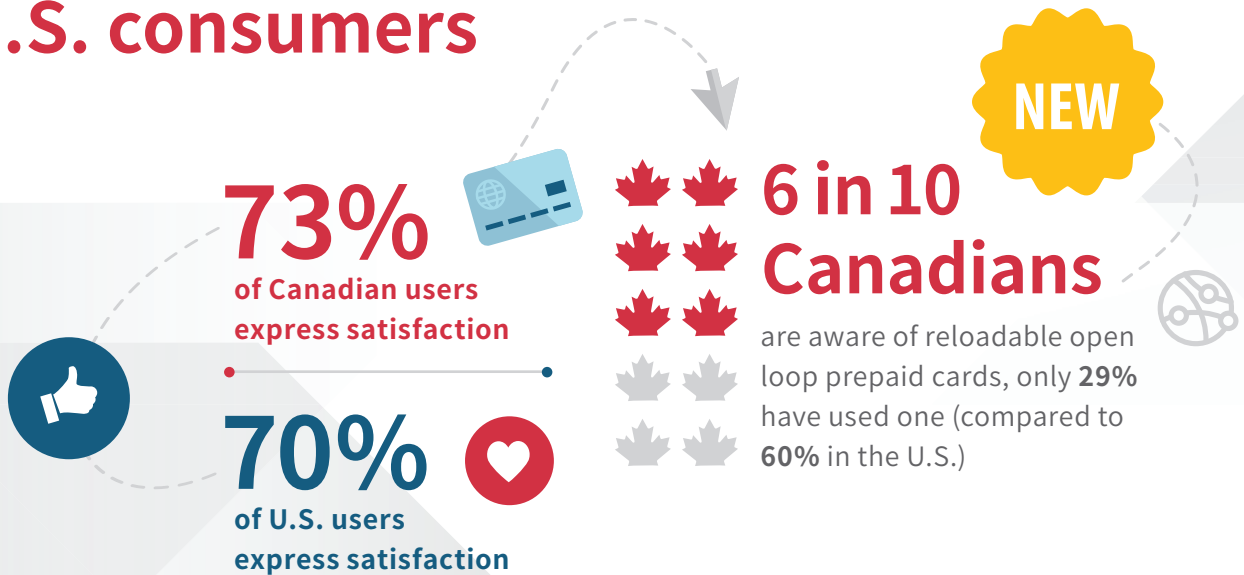
82%

want payment cards that avoid overdraft or interest charges





Canadian awareness levels and adoption of open loop prepaid cards is growing; satisfaction edges out U.S. consumers



ABOUT THE CANADIAN PREPAID PROVIDERS ORGANIZATION (CPPO)

The CPPO is a not-for-profit organization and the collective voice of the open loop prepaid payments industry in Canada. It is the only Association solely focused on this growing industry and is supported by major financial institutions, card networks and other industry players. The CPPO is focused on awareness and education so that consumers and businesses can have the best experience with these popular products. Members of this not-for-profit organization include major financial institutions, payment card networks, program managers and key vendors that support the growth of this industry. Founding members include: American Express (Amex Bank of Canada), Bank of Montreal, Berkeley Payment Solutions, Home Trust Company, Incomm Canada, MasterCard Canada, Peoples Trust Company, Royal Bank of Canada, Scotiabank and The Fletcher Group LLC. Supporters include Cassels Brock & Blackwell LLP and Blake, Cassels & Graydon LLP. For further information, visit www.cppo.ca.

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