

Why Are McDonald's, Starbucks AND OTHER RETAILING LEADERS Turning To Pre-Paid Plans?

Repeat Business - Pre-paid cards strengthen relationships with customers and lock in loyalty. When Starbucks began testing pre-paid cards in July, 2001, it found that customers were "loading" as much as \$250 in their accounts.

Increased Cash Flow - As the above example suggests, pre-paid cards provide a business with an infusion of cash up-front.

Faster Transactions - Pre-paid plans save time for customers and retailers. At McDonald's the payment process takes less than 15 seconds for pre-paid transactions, because customers don't have to fumble for change. "I think (pre-paid cards) are very convenient," said Carol Wise, a Starbucks district manager.

More Dollars Per Customer - Pre-paid customers spend more per transaction. When McDonald's introduced a pre-paid plan in California, it found "that people spent more," said Peter Oakes, an analyst for Merrill Lynch in New York. "When its already paid, (customers) focus less on price and more on the food."

Tighter Control - By removing cash and credit cards from the transaction, pre-paid cards increase your level of control.



"Pre-pay and debit cards continue to gain ground on cash for making small purchases... cafeterias at Coca-Cola, Motorola and Chase Manhattan are using pre-pay cards to speed transactions."

- Alison Rogers,
Fortune Magazine

The Pre-Paid Trend

- ▶ McDonald's began testing a pre-paid plan in Idaho and California in April 2001. Based on its success, the plan is being expanded into other markets, including New York.
- ▶ In 2001, MasterCard introduced *PrivaCash*, it's first pre-paid card program in selected test markets. The Cards are available in \$25, \$50 and \$100 denominations. Visa has also launched *Visa Buxx*, a pre-paid program.
- ▶ Starbucks introduced pre-paid cards to selected markets in 2001, and now plans to offer the cards at its 2,700 stores throughout North America.

