



Unbanked Consumers: Unique Opportunities for Financial Marketers

A Complimentary Report from Scarborough Research



March 16, 2006

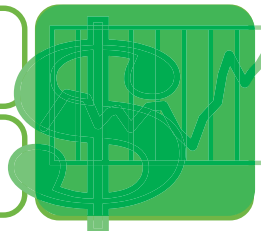
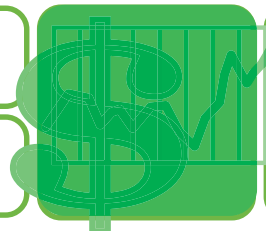


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1. INTRODUCTION

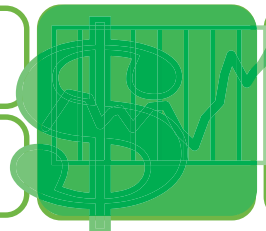
According to Scarborough Research, five percent, or more than 10.2 million adults, are “Unbanked” – meaning they live in a household that does not make use of a “financial institution” of any kind for banking or financial services.

Cited as “the most dynamic segment of financial services” by Find/SVP banking senior analyst Elizabeth Rowe¹, Unbanked Americans represent an opportunity for financial institutions, especially as more alternatives to traditional banking come forth on the marketplace. The Unbanked tend to be younger than the average consumer, more likely to have children, and are just starting out their lives and establishing their finances. But, they wish to live the American dream, and plan to purchase cars, homes, and other items that require financing. While the Internet has provided a new medium for financial transactions, by and large, banking is dependent on options available to a consumer where they live.

This analysis examines Unbanked consumers within their local markets to paint a clear picture of financial life on the local level. Given that the neighborhood banks of yesterday have largely been purchased and merged into today’s large financial institutions, understanding local consumer differences is key to growing market penetration and use of services.

This report will explore the Unbanked category from all of these perspectives, and illustrate how financial marketers can benefit by targeting this consumer group. It includes select analyses on the Unbanked category and represents a small portion of Scarborough’s measurements.

Further analyses on the banking industry are available within the Scarborough database to Scarborough clients. Scarborough clients should contact their account manager for more information. If you are not a Scarborough client but would like more details, please contact Julie O’Donnell at jodonnell@scarborough.com. Members of the press please contact Allyson Mongrain at amongrain@scarborough.com.



2. WHO ARE THE UNBANKED?

Overview

Scarborough Research measures consumer lifestyles, demographics, shopping patterns and media behaviors. In this report, the focus is on consumers who indicate in our study that they do not use any financial institution in their household for banking or financial services. According to Scarborough Research, five percent, or more than 10.2 million adults, are “Unbanked” – meaning they live in a household that does not make use of a “financial institution” of any kind for banking or financial services.

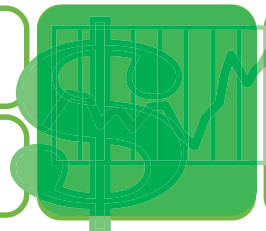
Unbanked Consumer Demographics

Scarborough finds that, overall, Unbanked consumers are more likely than average to be young, in lower income brackets, and single. More women are Unbanked than men, and Unbanked consumers are more likely to be blue collar. This group is more likely than average to have children in the household, both teens and children under the age of 12. While 23% of Unbanked consumers have attended at least some college, they are less likely than other consumers to be college graduates or to have advanced degrees.

Demographic Measurement	All Consumers Nationally	Unbanked Consumers
SEX OF RESPONDENT		
Men	48%	46%
Women	52%	54%
AGE OF RESPONDENT		
Age 18-24	13%	19%
Age 25-34	18%	23%
Age 35-44	20%	17%
Age 45-54	19%	15%
Age 55-64	13%	9%
Age 65+	17%	16%
HOUSEHOLD INCOME		
HHI <\$25K	16%	51%
HHI <\$35K	30%	70%
HHI \$25K-\$35K	14%	20%
HHI \$35K-\$50K	22%	16%
HHI \$50K-\$75K	19%	7%
HHI \$50K+	49%	14%
HHI \$75K+	30%	7%
HHI \$100K+	16%	3%
OCCUPATION SUMMARIES		
White collar	41%	16%
Blue collar	25%	33%

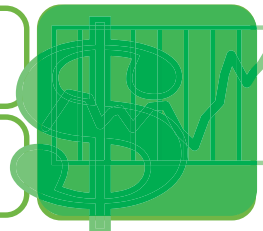
More women than men are Unbanked

70% of the Unbanked have an annual HHLD income of less than \$35k.



Unbanked Consumer Demographics (cont'd)

Demographic Measurement	All Consumers Nationally	Unbanked Consumers
MARITAL STATUS		
Married	57%	38%
Never married (single)	25%	38%
Widowed/Legally separated/Divorced	18%	24%
LEVEL OF EDUCATION		
High school graduate (12th grade or GED)	36%	42%
Some college (1-3 years-not Graduate or AA/Associates)	29%	17%
College graduate (4 year college)	23%	6%
NO. CHILDREN IN HOUSEHOLD (AGE 17 OR UNDER)		
None	59%	51%
1+ children in HH	41%	49%
2+ children in HH	24%	31%
3+ children in HH	9%	16%
NO. TEENAGERS 12-17 YRS IN HOUSEHOLD		
None	80%	78%
1+	20%	22%
2+	7%	8%

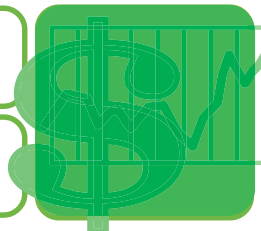


Local Aspects of the Unbanked

Fresno, CA, and El Paso, TX, are the local markets measured by Scarborough with the highest percentage of Unbanked consumers. Eleven percent of consumers in each of these markets are Unbanked, more than twice the national average. Los Angeles (9%), Dallas (9%), Houston (8%), and Memphis, TN (8%) round out the top local markets for Unbanked consumers.

Top Local Markets for Unbanked Consumers (DMAs)

Local Market (DMA®)	%
Fresno/Visalia, CA	11%
El Paso, TX	11%
Los Angeles, CA	9%
Dallas/Fort Worth, TX	9%
Houston, TX	8%
Memphis, TN	8%
Knoxville, TN	7%
San Antonio, TX	7%
New Orleans, LA	7%
Birmingham, AL	7%
Oklahoma City, OK	7%
Atlanta, GA	6%



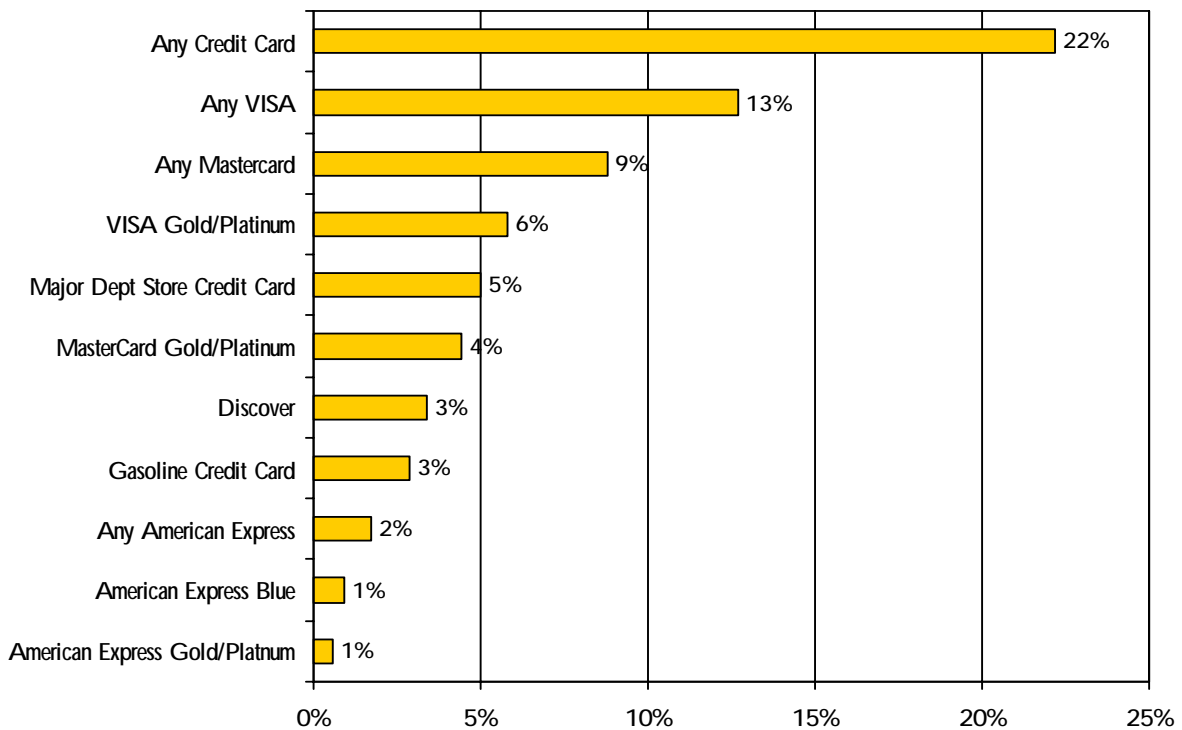
3. HOW DO THE UNBANKED LIVE THEIR LIVES?

The American dream is highly dependent on the ability to acquire, grow, and, above all, access money. Banks serve a core role in consumers' ability to attain this dream, providing them with the ability to more efficiently transact on their funds. While technology has given birth to new financial transaction options that do not require banks – from payroll cards to prepaid phone usage – consumers need banks for both simple transactions (such as checking and savings) and the more sophisticated (investments and insurance). In a world where we still rely on banks to help us live our financial lives, how do those who are Unbanked access their money? What are your options if you do not have a bank, other than paying with cash?

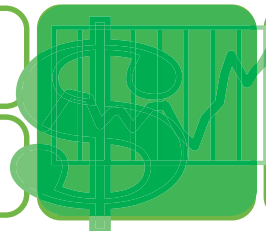
Credit Cards

Credit cards provide an option for Unbanked consumers to make purchases. Almost one-quarter (22%) of Unbanked consumers used a credit card during the past three months. VISA is the top brand for Unbanked consumers – almost 1.3 million Unbanked consumers used a VISA card during this time frame.

Unbanked Credit Card Use, Past 3 Months (%)



"The Unbanked are young, tend to be ethnic and just starting out. Credit cards are an important transaction option as they do not have basic financial services, like checking accounts, established yet," said Karla Horton, manager, advertiser marketing services, Scarborough Research. "Credit card companies aggressively target the younger age group. Often, credit card applications are widely available on college campuses and in malls. Banks and credit card brands that establish relationships with these younger consumers may have an advantage when they are ready to begin using other financial services."



Check Cashing

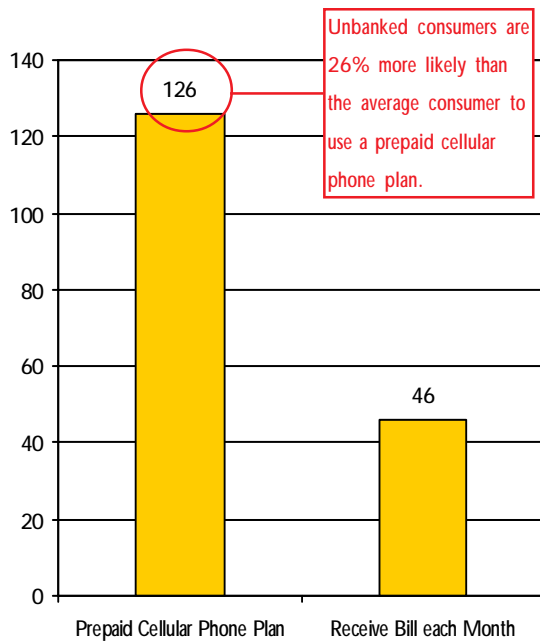
Only one in ten of the Unbanked use check cashing services, a relatively small portion of this market – which totals more than 10.2 million people overall. More Unbanked consumers use credit cards than check cashing services.

Prepaid Options

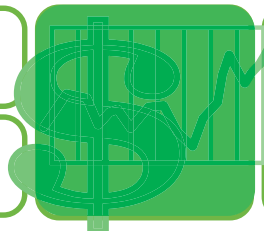
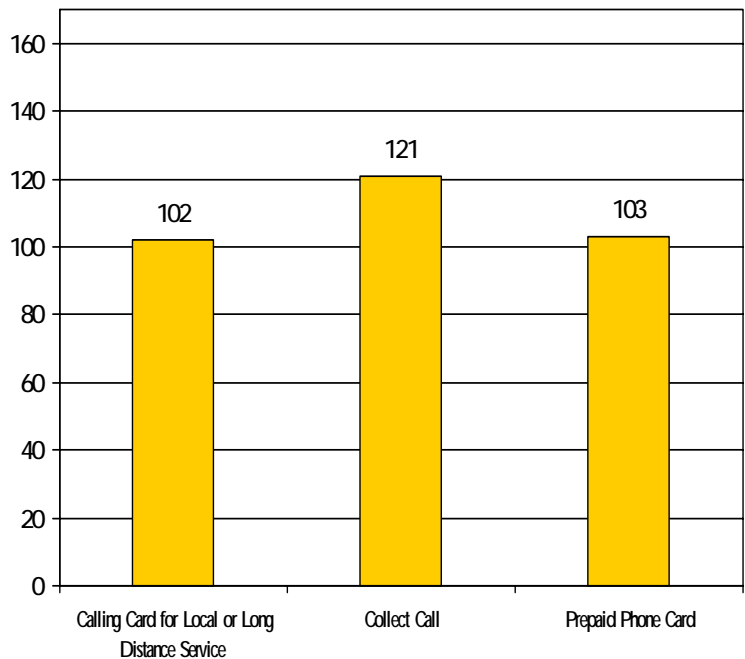
Prepaid Options are critical to the Unbanked consumer, and there are many available – especially in the telecom category. Unbanked consumers are 26% more likely than the average consumer to use a prepaid cellular phone plan.

“Not only do prepaid calling options enable a consumer to pay upfront in cash, but buying them is very easy – they are available everywhere from gas stations to Target,” said Ms.Horton. “The downside is that there are usually hefty fees associated with the purchase.”

**Cellular Payment Plan Currently Used
(Index of Unbanked Consumers)**



**Calling Options Household Used Past 12 Months
(Index of Unbanked Consumers)**

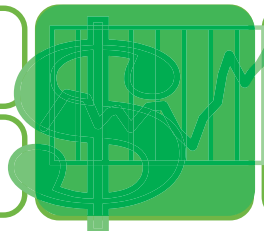
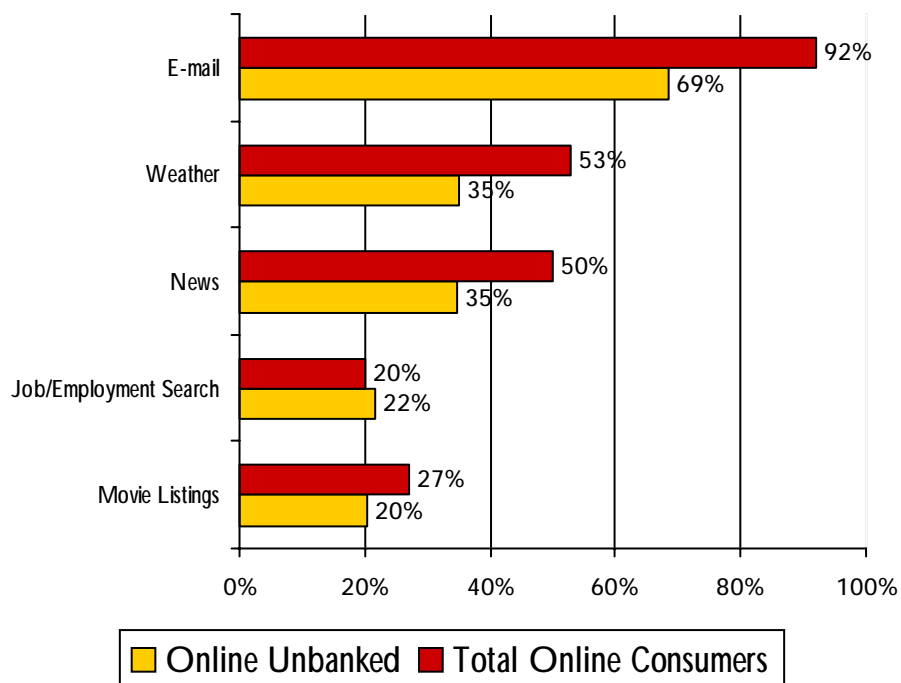


The Internet

One-third of Unbanked consumers use the Internet. The Unbanked are half as likely as the average consumer to use the Internet. While some online habits of the Unbanked follow those of the general market, others are distinct. This information is useful in better understanding how to reach the Unbanked online. When combined with other Scarborough media information, it can help paint a clearer portrait of how to reach the Unbanked in the fabric of their day-to-day. Here is a summary of Unbanked Internet usage, purchasing and other online habits.

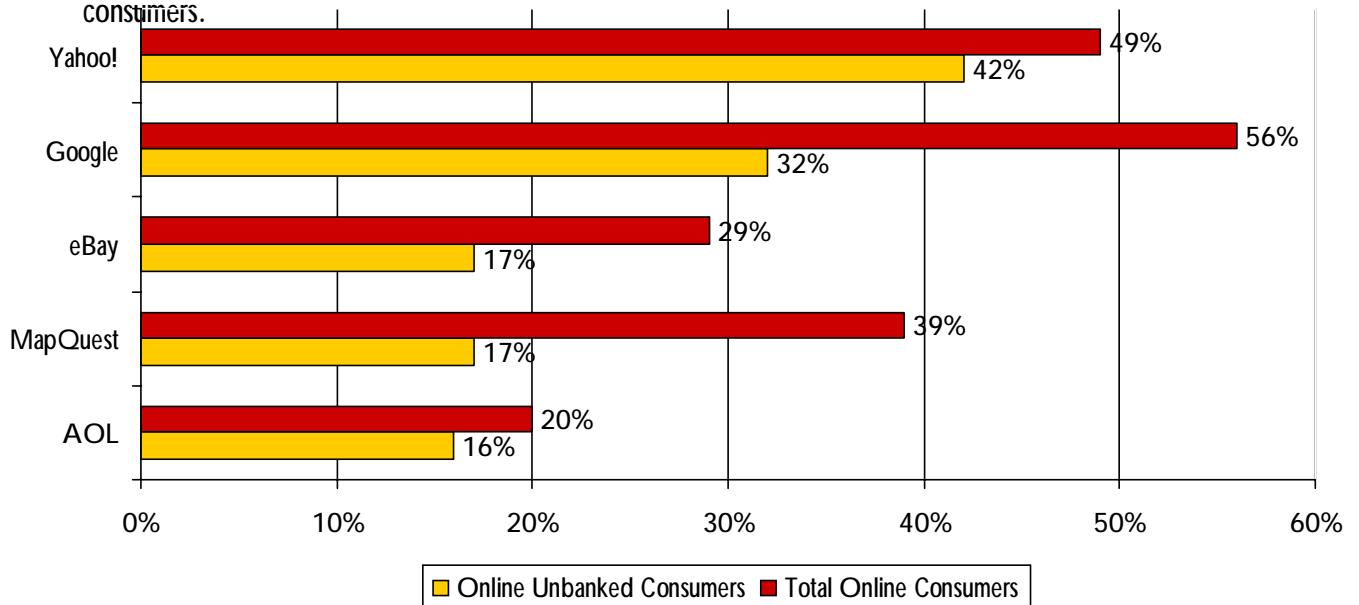
- **WAYS INTERNET USED:** The Internet usage patterns of the Online Unbanked follow those of the general market in some respects. Email (69% of the Unbanked used the Internet for email during the past month, vs. 92% of total online consumers), Weather (35%, vs. 53% of total online consumers), and News (35%, vs. 50% of total online consumers) are the top three Internet uses for the Online Unbanked. Gaming, personal ads, and employment searches are Internet uses that stand-out among Online Unbanked consumers. They are 7% more likely than the average Internet consumer to game online, 11% more likely to conduct an employment search, and 63% more likely to date online.

Ways Internet Used Past Year
(% of Online Unbanked Consumers)



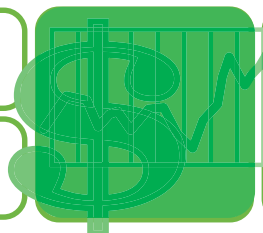
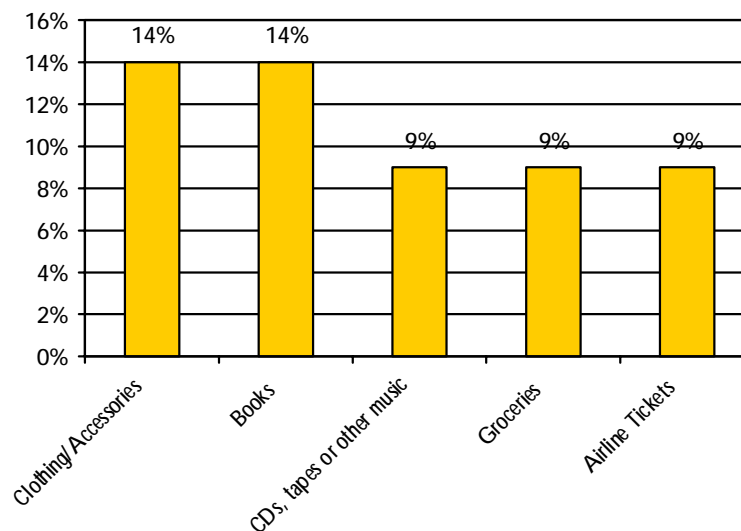
The Internet (Cont'd)

- **WEBSITES VISITED:** Yahoo! (42% of the Online Unbanked visited this website during the past month), Google (32%) and eBay (17%) are some of the leading websites for Online Unbanked consumers.



- **ONLINE PURCHASING:** Forty-one percent of Online Unbanked consumers made an Internet purchase during the past year. Books and clothing/accessories are the top online buying categories for this consumer group, as 14% of the Unbanked who are online made these Internet purchases during the past year. Purchasing groceries online stands-out for the Online Unbanked. Nine percent of this consumer group made this purchase during the past year, and they are 87% more likely than all Internet users to have done so.

Items Purchased on the Internet, Past 12 Months
(% of Online Unbanked Consumers)

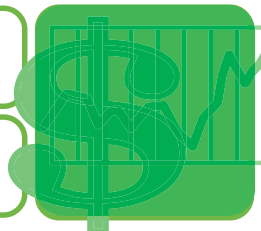


- **PLACES OF INTERNET ACCESS:** While the majority (56%) of the Online Unbanked access the Internet from home, they are more likely than other consumers to access computers from other places such as a public library or school. They are 85% more likely than all Internet users to access it from a public library, and 37% more likely to access it from school. They are 34% less likely than the average Internet user to access the Internet from home.

Where do the Unbanked access the Internet?

Location	%	Index
Home	56%	66
Work	19%	44
Other Place	11%	141
Public Library	11%	185
School	10%	137

56% of Online Unbanked consumers access the Internet from home. They are 34% less likely than all Online Consumers to do so.



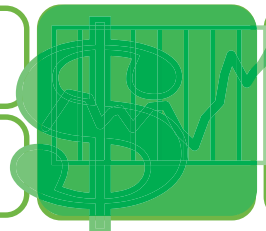
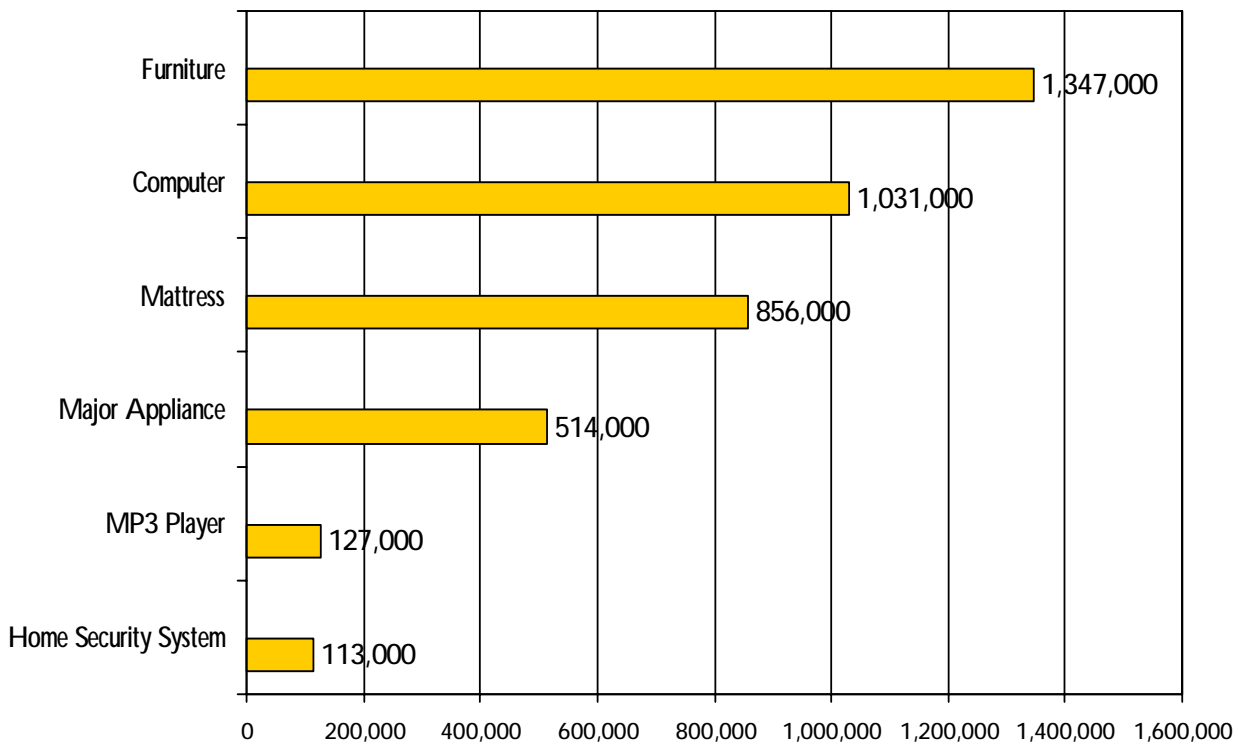
4. CONSUMER SPENDING AND THE UNBANKED: PURCHASE PLANS

Plans to Buy: Household Items

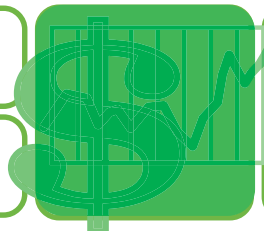
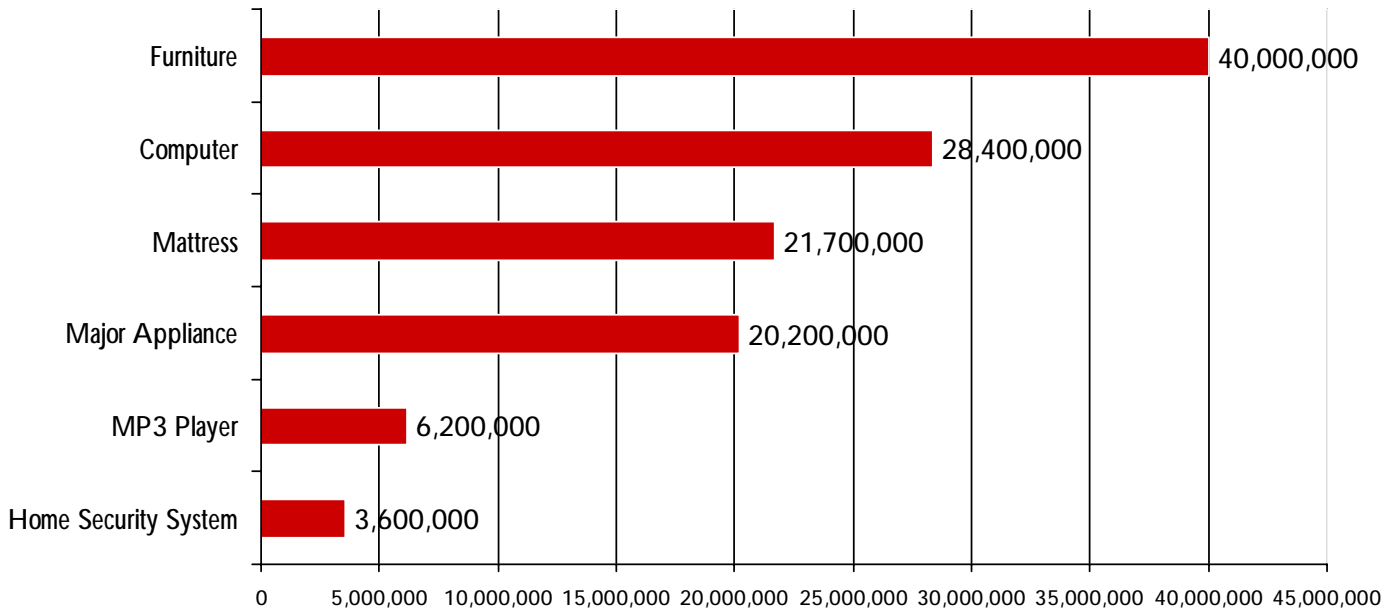
Given that the Unbanked tend to be younger and just starting out their lives, overall, they are below average in their plans to purchase these big-ticket household items such as appliances and furniture. Still, it is notable to point out their current shopping patterns so retailers can develop finance plans that meet their needs.

"Today's Unbanked consumer may be a young family just starting out. Providing finance options that successfully convert them from shopper to buyer could be the first step in building brand loyalty," said Ms. Horton. "This brand loyalty, in turn, could mean more purchases later in life when finances are more established."

Unbanked Consumers' Plans to Purchase Household Items, Next 12 Months
(Number of Unbanked Consumers, Plan to buy in their HHLID)



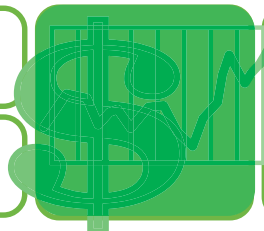
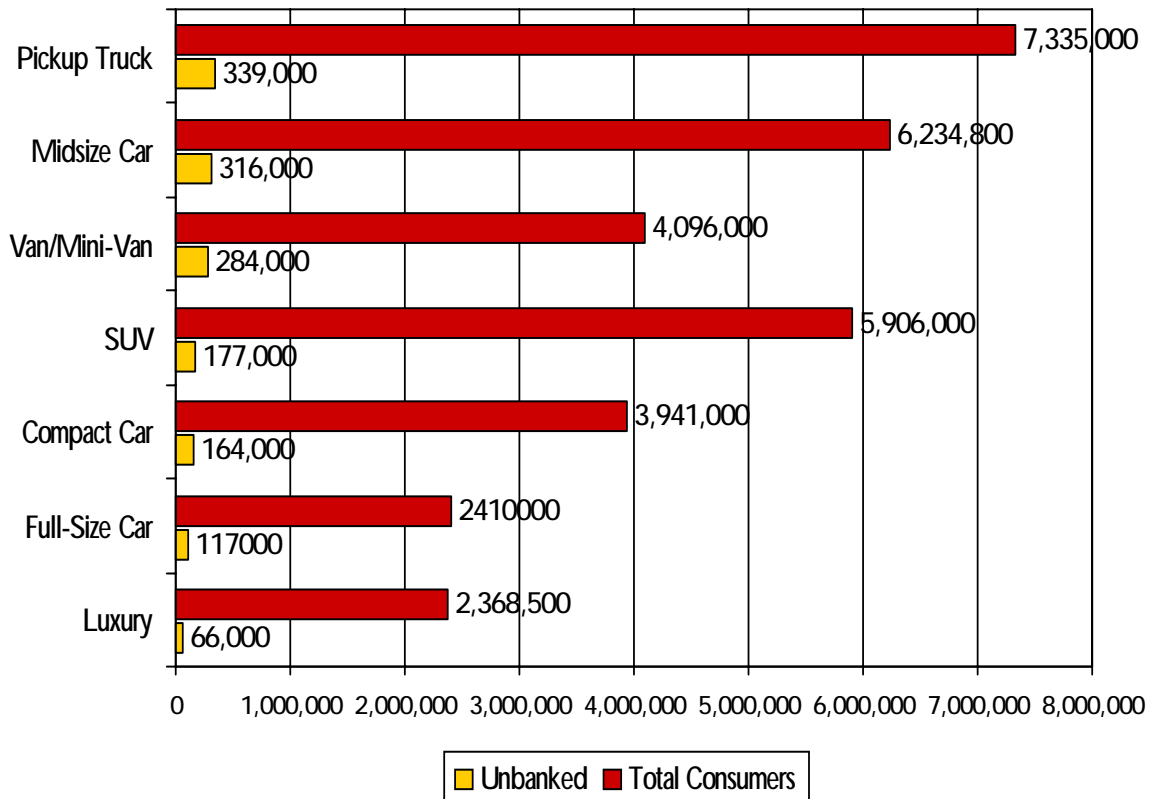
Total Consumers' Plans to Purchase Household Items, Next 12 Months
(Number of Consumers, Plan to buy in their HHLD)



Plans to Buy: Automotive

Used vehicles are of interest to this consumer group. Twelve percent, or 1.2 million Unbanked consumers, plan to purchase a used vehicle in their household during the next year. Five percent plan to buy a new vehicle, and 2% plan to lease. Vans/minivans, pickup trucks, and SUVs are the top used vehicle planned purchase choices. Dealerships and manufacturers interested in targeting the Unbanked with financing options should note their areas of vehicle purchasing interest.

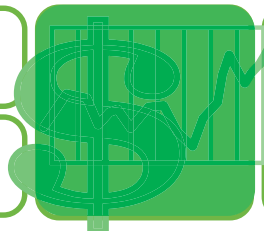
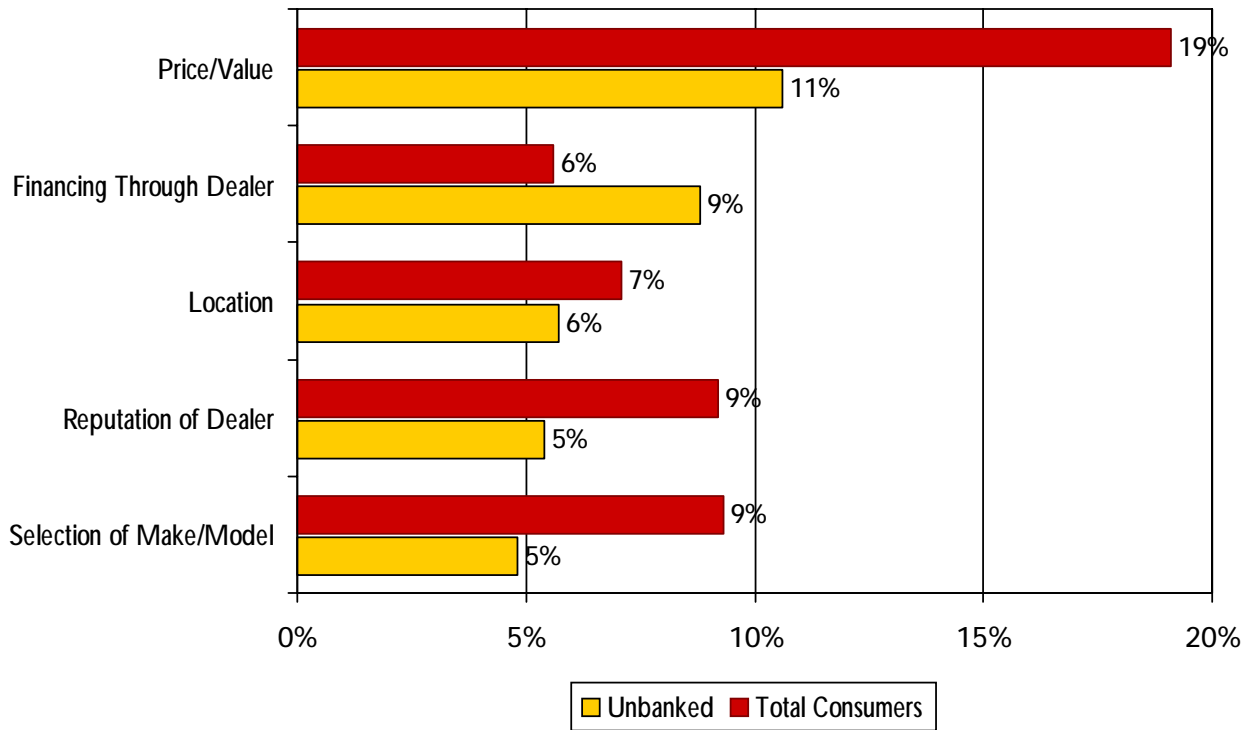
Vehicles HHLD Plan to Buy USED During the Next Year
(# of Unbanked Consumers vs. Total Consumers)



Plans to Buy: Automotive (cont'd)

Financing is a key reason why Unbanked chose their last auto dealership for purchasing a used car. Unbanked consumers are 57 percent more likely than all consumers to have chosen a dealership because of availability of financing. Other criteria – such as selection, reputation, etc. – are less important to the Unbanked.

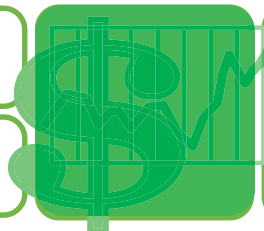
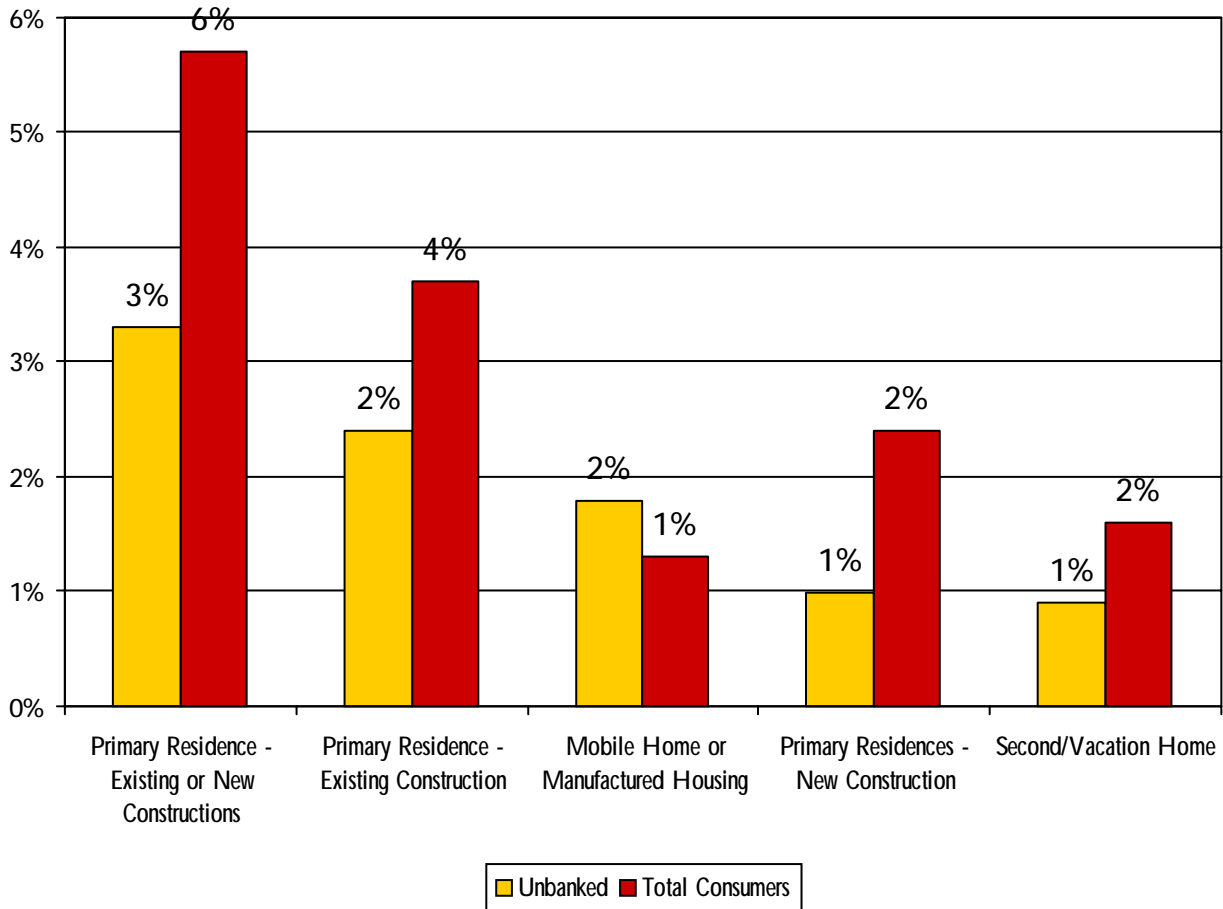
Primary Reason HHLD Used Dealer For Last Used Vehicle (HHLD)
(Percentage of Unbanked Consumers vs. Total Consumers)



Plans to Buy: Homes

Overall, Unbanked consumers are less likely to plan to purchase homes than the general market. However, they do not trail by as much as one might expect. While four percent of total consumers plan to purchase a residence (existing construction) during the next year, 2% of the Unbanked plan to do the same.

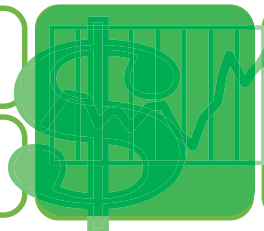
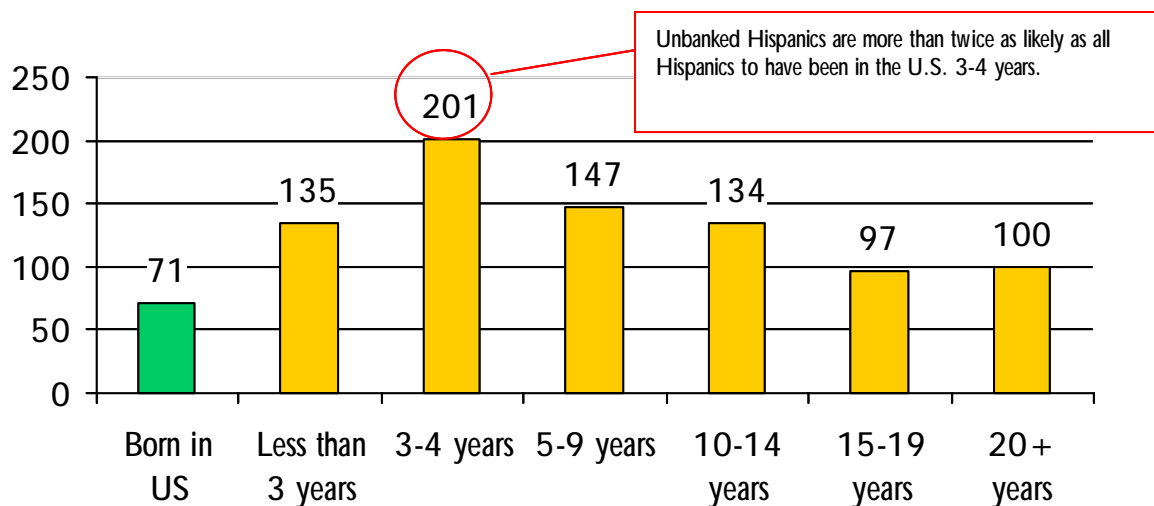
Items HHLD Plans to Purchase, Next 12 Months: Homes
(% of Unbanked Consumers vs. Total Consumers)



5. UNBANKED HISPANICS: SPECIAL OPPORTUNITIES FOR FINANCIAL MARKETERS

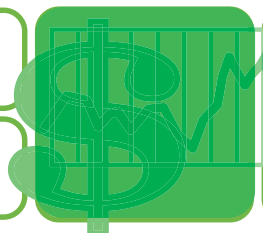
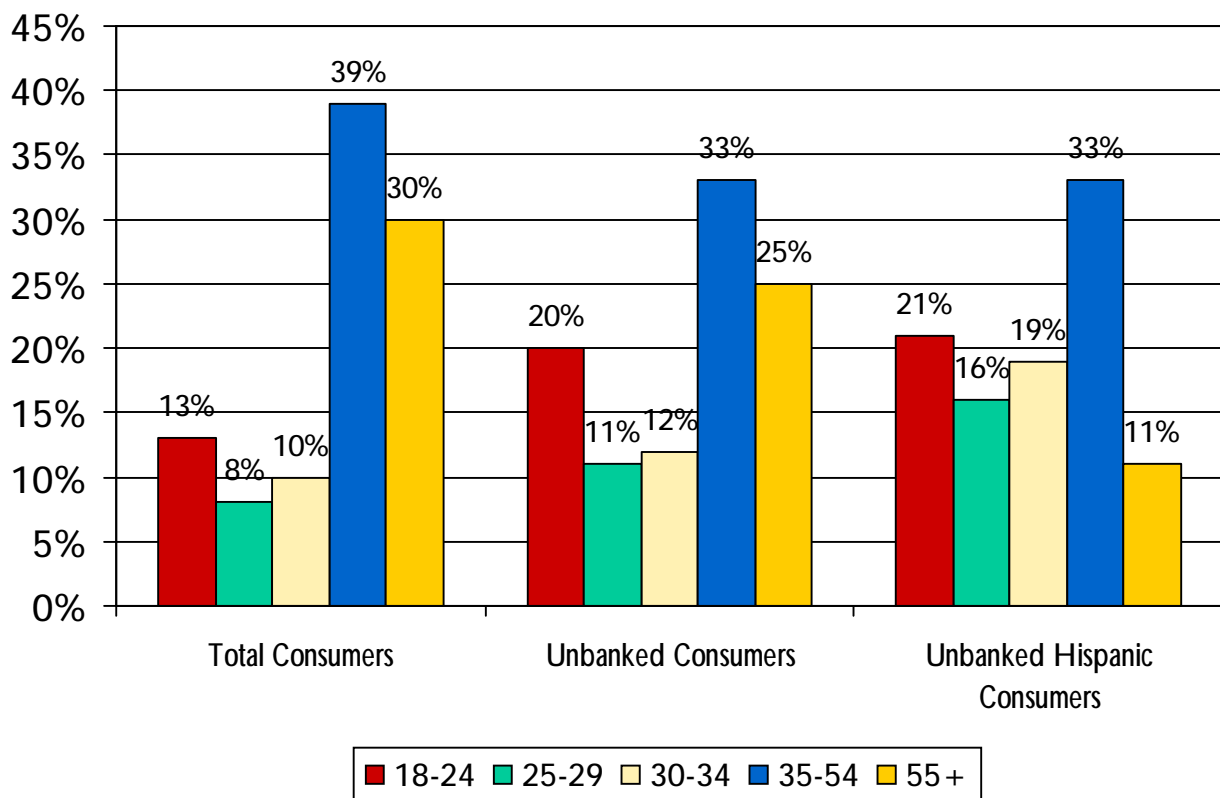
Thirty-five percent of the Unbanked population is Hispanic. Hispanic consumers are nearly three times as likely as the average adult to be Unbanked. There are several possible explanations as to why Hispanic consumers are more likely to be Unbanked. They tend to be younger than the average adult. The median age of the general market is 45, while the median age of the Hispanic market is 35. More than half of U.S. Hispanics (52%) are foreign-born. Unbanked Hispanics are even younger and newer to the U.S. than the average Hispanic consumer. This suggests that Hispanics' Unbanked status may be driven by temporary circumstances – youth and recent U.S. arrival. As Hispanics grow older, accumulate more wealth, and become more acculturated, the opportunity to begin using banks for a wide variety of services will also increase.

Unbanked Hispanics Time in the U.S. As Compared to All Hispanics (Index)



"The banking industry is at the onset of a perfect storm to increase market share among Hispanics," said Ms. Horton. "As the Hispanic market grows, their time in the U.S. increases, and their age and earning power goes up, they will be using financial services at an ever-increasing rate. Those banks that target Hispanics today are going to be tomorrow's market dominators."

**Age Analysis: Unbanked Hispanic Consumers are Younger than All Unbanked Consumers
(% of All Consumers and All Unbanked Consumers)**

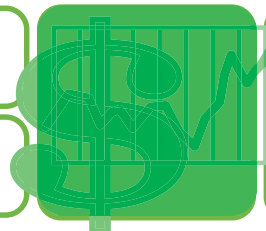
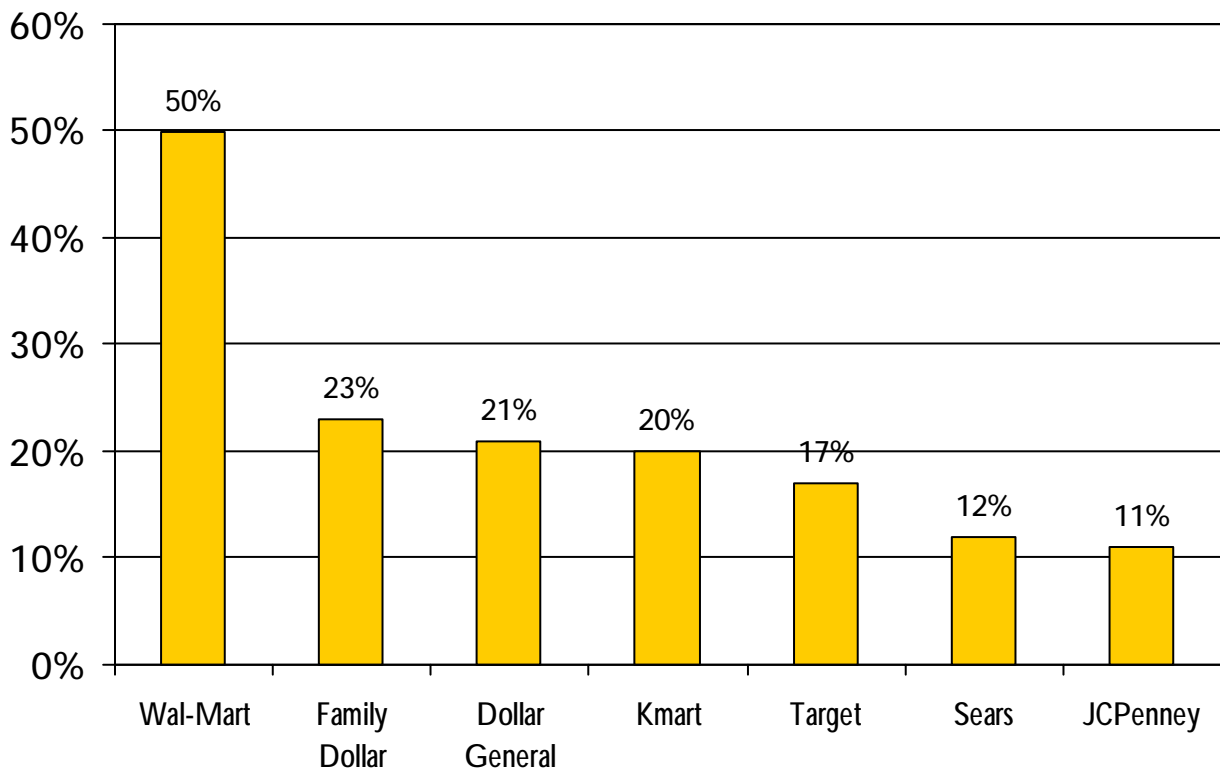


6. RETAIL: WHERE DO YOU TARGET THE UNBANKED?

Those seeking to target the Unbanked – from wire service companies to financial institutions – can do so with strategic placement of services. Scarborough analyzed select department stores where Unbanked consumers shop. Not surprisingly, Wal-Mart is the top store shopped by Unbanked consumers, and other discount stores are also popular with this set.

“Many financial institutions are already using the store-within-a-store concept – setting up kiosks and mini-banks within a grocery store or department store,” said Ms. Horton. “Anyone targeting the Unbanked group – financial institutions, government programs, or wire service companies – can use this information to create more effective strategies for placement of services.”

Department Stores Shopped by Unbanked Consumers, Past 30 Days



7. CONCLUSIONS

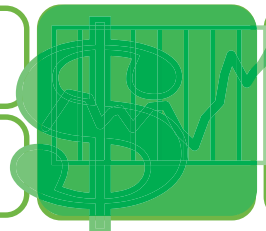
Banks seeking to build lifelong customers have an opportunity in reaching out to the Unbanked population. Not only is the Unbanked marketplace large (totaling more than 10 million people), but it is also younger than average. As this consumer group ages, becomes more established, and accumulates more wealth, their need for banking services will also increase.

In addition to being young, Unbanked consumers tend to be lower income, blue collar, and have children in the household. Fresno, CA, and El Paso, TX, are the top local markets for Unbanked consumers. Local institutions in these markets have even more opportunity to bring more people onboard with banking.

While their big-ticket purchase plans tend to trail those of the general market, there are certain categories, such as electronics, that stand-out with the Unbanked. Further, retailers selling financing packages for goods (from cars to computers) could profit from creating plans for the Unbanked person.

Targeting Hispanic consumers has an even greater potential for banks. Hispanics are more likely than the general market to be Unbanked, but these consumers are even younger than the average Unbanked person. This, coupled with the fact that Hispanics as a whole are less likely to have all types of financial services, has left numerous opportunities for banks and is the beginning of a “perfect storm” of opportunity for banking institutions.

Finally, it is important to analyze how the Unbanked live in their “real world” and the retail and banking choices available to them. Scarborough finds that the Unbanked tend to shop at Wal-Mart and other discount retailers. Finance institutions wanting to target the Unbanked with services can do so by targeting the discount shopper.



8. APPENDIX AND SOURCES

1. Forbes.com, "Banking on the 'Unbanked'," 2.23.05

SOURCE: Scarborough Research 2006. The data in this report, unless otherwise cited, is from Scarborough USA+ (2005 Release 1), a national study of consumer lifestyles, shopping patterns, and media behaviors.

METHODOLOGY:

Scarborough Research employs a two-phase methodology to collect consumer information: a telephone interview (which measures newspaper and radio usage and demographics) followed by a mailed, self-administered consumer booklet and seven-day television diary. Scarborough is in-field collecting data 44 weeks of the calendar year to even-out any marketplace disruptions or seasonality issues. Data is released to Scarborough clients twice per year. Scarborough's annual sample size is 210,000 adults nationally.

CONTACT:

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All others please contact Julie O'Donnell, 678-455-6213, jodonnell@scarborough.com

Karla Horton, quoted in this report, is manager of advertiser marketing services for Scarborough Research. She is responsible for servicing the diverse marketing research needs of Scarborough clients from Fortune 1000 companies, including several major banking institutions. An industry veteran with 20 years of experience in marketing research, Karla specializes in assisting major advertisers develop targeted strategies that deliver maximum return on investment. Karla has partnered with a variety of marketers to help them get answers to their most complex questions. From multicultural targeting (including Hispanic, gay/lesbian and African-American consumers), to customer profiling and shopper segmentation, Karla is passionate about diving deeply into research to find valuable insights that have a positive impact on business strategy. Prior to joining Scarborough, Karla managed client services for The Mulholland Harper Company, and also served as a field manager for marketing research firm Widener Burrows & Associates. Karla has a Master of Science degree in Marketing from Johns Hopkins University.

ABOUT SCARBOROUGH RESEARCH

Scarborough Research (www.scarborough.com, info@scarborough.com) measures the lifestyle and shopping patterns, media behaviors, and demographics of American consumers. Products and services include local market consumer insight studies in 80 Top-Tier Markets (comprised of the Top Cities in the US) and 6 Mid-Tier Markets (comprised of smaller U.S. cities), Scarborough USA+ (a national database), Scarborough Multi-Market Database, Hispanic studies, customer relationship management and database integration solutions. With more than 30 years of experience, Scarborough measures more than 1,700 categories and serves a broad client base of more than 3,500 subscribers including marketers, advertising agencies, electronic and print media, broadcast and cable television, radio stations, sports teams and leagues, and out-of-home companies. Surveying more than 210,000 adults annually, Scarborough is a joint venture between Arbitron Inc. and VNU Media Measurement & Information.

