

Application of Social Marketing to Prepaid Card Initiative Project

Background

In Fiscal Year (FY) 2009, the IRS—responding to a Treasury request to decrease issuance of paper checks—initiated a formal effort to collaborate with financial institutions (banks) and Volunteer Income Tax Assistance (VITA) sites to encourage taxpayers who do not request direct-deposited refunds to opt for a prepaid card sponsored by the financial institutions. These taxpayers are likely to be unbanked and without means of freely cashing their refund check. The perceived benefits of the prepaid card program are 1) faster transfer of refunds to the taxpayer compared to the paper check mode, and 2) low-cost transactions to use the refund amount.

The process involves marketing of a prepaid card to taxpayers who are due a refund and elect not to have their refund direct deposited. The IRS solicited different banks for participation in the program. For the FY10 filing season, banks were organized by geographic region based on their banking footprint, nominally related to their ATM network. The program had three partnering banks during the FY10 filing season.

During the FY10 filing season, the program had 219 taxpayers opt for the prepaid card. In contrast, over 1.1 million of eligible VITA taxpayers opted for a paper check. In FY09, 958 taxpayers opted for cards at far fewer sites. In particular, just two sites accounted for a large number of these participants. The belief is that financial coaches present at the FY09 sites contributed significantly to the higher opt-in rate. In FY10, far fewer sites had such coaches, and the VITA volunteers were the sole interface with the taxpayer to discuss refund options. IRS believes there is an opportunity to increase the opt-in rate of prepaid cards among the target population for the FY11 filing season.

To help improve participation, IRS is hoping to leverage the theory and principles of social marketing¹. Social marketing principles and practices apply marketing principles to social programs. Social marketing is the application of behavior change to the domain of marketing to sway key social behaviors. For FY11, social marketing will be used on a small-scale trial basis to influence taxpayer behavior in choosing the prepaid card option over the paper check option. Key to this study is the use of a questionnaire to establish knowledge, beliefs, barriers and perception of the prepaid card. This data will provide the IRS with practical information to be used to help determine how to offer and market the prepaid card to taxpayers in the future.

¹ Evans, Douglas W. 2006. "What social marketing can do for you". *BMJ*. Vol. 332: 1207-1210. ; <http://www.nytimes.com/2008/07/13/business/13habit.html?pagewanted=all> ; <http://www.social-marketing.com/Whatis.html>

Marketing techniques have been developed to test at pilot sites, and a set of control sites will be used to help compare and contrast the results of marketing vs. no marketing in order to improve the means of promoting the prepaid card at VITA sites using bank pre-paid cards. Two sources of information were used to help develop approaches to test: (1) secondary sources of information about unbank/under-banked populations and (2) discussions with VITA site coordinators and IRS VITA site liaisons where prepaid cards were promoted during 2010 filing season. Using concepts of social marketing, low-cost approaches to marketing the prepaid cards have been developed. Two approaches are currently set to be piloted: (1) supplemental information at the entry area of the VITA site and (2) scripts and job aids for VITA volunteers who talk with the taxpayer about the decision to get a prepaid card or paper check.

The project will be performed at VITA and VITA Grant sites that have elected to participate in prepaid cards issued by PNC and US Bank. Western Union and TaxWise prepaid card participation are not a part of this project.

Objectives

The purpose of the social marketing prepaid card initiative is to evaluate taxpayer knowledge, beliefs, barriers and perception of the prepaid card—providing first-hand information that has not been collected to date. The questionnaire will help allow the IRS to determine how to maximize prepaid card adoption. This effort is in support of Treasury and the Service's desires to improve taxpayer options for refunds and minimize the use of paper checks for refunds

Research Methodology

The methodology used will be a paper-and-pencil, self-administered questionnaire for taxpayers utilizing VITA sites for tax preparation (see Attachments). The questionnaire is designed to assess beliefs and understanding of how the prepaid card works and the intended benefits of using it. Once the tax preparation process has ended, VITA centers have a quality review process in which quality reviewers confirm that tax laws were correctly applied. The questionnaire will be administered following completion of their return preparation and before the quality review period. Taxpayers who either chose the prepaid card option or the paper check option will take the questionnaire; which will take approximately 2 to 5 minutes to complete. The questionnaire will be distributed to taxpayers serviced by the studies' pilot and control sites. The questionnaire was pre-tested among a group of 15-20 individuals who were also exposed to the script and job aid. This activity comprised the initial, formative development of materials to pilot. In addition, a logic model was developed to help create a set up outcomes (see Appendix A); it was used as a tool to help develop questions for the survey.

The pilot and control sites will consist of participating VITA sites that have at least 70 potential taxpayers who might select the prepaid card. The potential numbers have been estimated from information from last filing season. This group was then randomly assigned to either the pilot or the control group based upon three categories of ranges of potential prepaid card adopters and among IRS Areas boundaries. This will help provide comparable groups. We will then ask the sites whether they will be willing to participate in the project. From those that agree to either be in the pilot or control groups, we will send them all the materials to participate. Our goal is to have 60 participating sites evenly split between the pilot and control groups. However, we might have less than 60. As of January 18, 2011, 31 sites have agreed to participate; both groups are still relatively similar in size category and Area makeup.

Our analyses will be focused at the individual level; therefore, as of January 18, 2011, we have estimated 5,440 potential taxpayer adopters in the control group and 4,116 in the pilot group. These numbers of potential debit card selections should provide a means of analyzing different adoption rates and assessing effects of different factors on adoption.

The pilot sites will receive the marketing material, which differentiates the test group (received marketing material) and the control group (no marketing material). The marketing material comes in the form of a VITA volunteer script, job aids, posters, and brochures (available in English and Spanish), which we are hypothesizing will influence the taxpayer's decision to accept the prepaid card.

Completed questionnaires will be electronically input using "Teleform" to facilitate analysis. Analysis will consist of descriptive statistics for each group, including frequencies for answers to the questions and tests of association between categorical factors². Furthermore, logistical regression will be used to evaluate the effects of different aspects to adoption of the prepaid card over the paper check. Demographic information and site information will also be used as covariates.

Overall adoption rate information for sites will be collected from the banks (number of prepaid cards issued) and IRS data systems on the number of returns and direct deposits handled.

Data to be Collected

² Chi square or Fishers exact are examples of such tests.

The questionnaire has several purposes. The prepaid card has specific benefits in contrast to the paper check. It is a necessary component of the study that VITA volunteers adequately inform taxpayers of the various benefits. As a result, the questionnaire evaluates taxpayers' knowledge of prepaid cards. Taxpayers' beliefs and perceptions in relation to the prepaid card are also assessed due to the influence these two psychological components may have on card selection. In addition, demographic information will be ascertained to develop a profile of those who chose and did not choose the card.

The first section of questionnaire provide means of understanding why taxpayer chose the option they did, their beliefs about the prepaid card's attributes, and their familiarity to similar types of products. The second section of the questionnaire captures their demographic characteristics. These variables will provide the means to evaluate the contribution of the differing opinions, beliefs, and characteristics of taxpayers to selecting the prepaid card over the paper check.

How Data will be Collected & Used

The IRS, primarily through promotion by its primary outreach program, Stakeholders, Partnerships, Education, & Communications (SPEC), wants to promote financial education and stability among the taxpayer base, particularly low to middle income Americans and the unbanked population. By choosing the prepaid card option, VITA eligible customers will save money they would have normally spent on a variety of check cashing activities.

The questionnaire will allow the IRS to determine if the marketing material within pilot sites is successful at influencing taxpayers to select the prepaid option. If there is a significant difference in prepaid card opt-in between the test and control groups, then the IRS can consider dispersing the marketing material on a larger scale the following fiscal year.

VITA volunteers will ask eligible taxpayers at the end of their return preparation to complete the questionnaire. The taxpayer can then complete the questionnaire while waiting for the return quality review, and they can drop the completed questionnaire into a drop box. The responses will be mailed to the IRS periodically for data capture.

Data will be used to evaluate any influences from the set of variables from the questionnaire to adoption of the prepaid card over the paper check. All data analysis will be at the aggregate level, and the collection process and data fields are designed to help ensure privacy of taxpayers. Completed questionnaires will be electronically input using "Teleform" to facilitate analysis. Analysis will consist of descriptive statistics for each group, including frequencies for answers to the questions and tests of association between categorical factors. Furthermore,

logistical regression will be used to evaluate the effects of different aspects to adoption of the prepaid card over the paper check. Demographic information and site information will also be used as covariates.

IRS VITA site liaisons will, as schedules and opportunities permit, visit sites. Staff will take the opportunity to assess if the promotion materials and scripts are being used as intended. In addition, project team will hold conference calls with participating sites, at least monthly during the filing season, to assess how the sites are handling the project and address questions and issues that may arise. These actions should help ensure the project is implemented as intended.

If more questionnaires are needed beyond the initial printing, the IRS will handle the printing and mailing out of the materials to the VITA sites.

IRS and VITA partners will use the results of the project to improve the marketing of prepaid cards at VITA sites in subsequent years— principally at sites collaborating with banks. This could include decisions on the means of promotion and the content of messages. The results will also be used to assess the general application of social marketing principles in marketing of IRS services.

Dates of Collection

The data are scheduled to be collected throughout the 2011 filing season (January – April) from 60 participating VITA sites.

Who is Conducting the Research

Stakeholders, Partnerships, Education, & Communications (SPEC), Office of Program Evaluation and Risk Analysis (OPERA), Wage and Investment, Research & Analysis (WIRA) in collaboration with an outside contractor, W. Douglas Evans, Ph.D., who is providing consultation and advice in developing a marketing plan for the prepaid card program.

Cost of the Study

The estimated cost to conduct this study is as follows:

Paper, Pencils, Boxes, Mailing envelopes and labels	\$490.00
Mailing materials and responses.....	\$4000.00
Posters and brochures.....	\$1500.00

We estimate 5,734 potential respondents (60% response rate) of the possible 9,556. We will purchase additional paper in order to handle printing of additional surveys. Each of these respondents equal three sheets of paper, equal to one questionnaire. We will ship, via FedEx, one bulk package of questionnaires to all participating VITA sites at the beginning of the filing season. We will also provide each VITA site with pre-labeled shipping sheets and request a batch of answered questionnaires to be mailed to our office twice during FY11. Therefore, the total estimated cost of conducting this study is \$5,990.00. The IRS is printing materials in order to avoid having the VITA site incur any printing or mailing costs.

Location and Facility

This is a filing season pilot study that will be conducted at upwards of approximately 31 VITA sites across the nation.

Expected Response Rate

Two of the objectives of this study are to generalize as best possible the results to the population of taxpayers for the bank sites, and to measure the effect of social marketing. Due to the mode of administering the survey, we expect a response rate equal to or greater than 60 percent. The taxpayer will be asked in person by a volunteer to take the self-administered survey while the taxpayer is waiting to have their return quality reviewed. This setting and the relatively short time estimated (2-5 minutes) to complete the questionnaire should enable higher response rates.

Estimated Burden Hours

Based on a sample of potential respondents of 9,556 and a response rate of 60%, we expect 5,734 survey participants leaving 3,822 non-participants. The contact time to determine non-participation could be up to 1 minute, with the resulting burden for non-participants being $3,822 \times 1 = 3,822$ minutes / 60 minutes = 64 burden hours. For participants, the time to complete the survey is between 2 to 5 minutes. The maximum estimated time burden for this group being $5,734 \times 5$ minutes = 28,670 total minutes / 60 minutes = 478 burden hours. Thus, the total burden hours for the study will be (64+ 478) 542 hours.

Methods to Maximize Response Rate

Initial consideration was taken during the design of the survey principally around its readability given the literacy level of some taxpayers. With this in mind, different online analytical tools were used to assess the grade level needed to understand the language of the survey. In addition to plain language, the primary language spoken by respondents was considered. The questionnaire will be offered in both English and Spanish in order to obtain responses from respondents who may be less comfortable reading English. Only pertinent questions are asked outside of demographic questions in order to make the survey as short as possible. Taxpayers will also be provided ample time to complete the questionnaire. They will not be rushed and will be informed that they are allotted as much time as they need to complete the questionnaire.

The VITA site volunteer will ask the eligible taxpayer to complete the questionnaire in person, and the taxpayer will have the opportunity to complete the questionnaire while waiting for their return quality review. This setting and relatively, fast estimated time to complete the questionnaire should enable higher response rates.

Test Structure and Design

IRS can not require a VITA site to participate in the prepaid card program or this test of social marketing. Therefore it is not possible to randomly select and assign sites to participate in offering the prepaid cards thus precluding a pure experimental design. Randomly assigning sites who elect to participate into either the pilot or control groups will hopefully provide improve similarities between pilot and control site participants. The pilot sites that receive the marketing material are the test condition within the study and the remaining sites are the control condition. A questionnaire will be given to all taxpayers who choose the prepaid card option or the paper check option. Once all of the questionnaires have been compiled, they will be uploaded into Teleform for coding.

Participants Criteria

Participants will be those taxpayers eligible for tax preparation from a VITA site (VITA and VITA Grant types) who do not request direct-deposit of their refund. Ineligible taxpayers from the VITA sites will be those who have a balance due or get their refund through a means other than the Treasury promoted prepaid card or paper check.

Privacy, Disclosure and Security Issues

Participation in the questionnaire is completely voluntary. All questionnaire responses will be released only as aggregated data. No individual answers will be reported and survey responses will have no effect on individual tax accounts. Taxpayers are under no obligation to participate in the questionnaire, it is completely voluntary. However, the VITA volunteer will encourage their participation so that their answers will help the IRS provide better service to the unbanked and low income community.

Appendix A. Prepaid Card Program Logic Model

Process			Outcomes			
Inputs	Activities	Outputs	Short-Term	Intermediate	Long-Term	Impacts
	<p>Determine pilot sites</p> <p>Create promotion/marketing materials (marketing plan, brochures, flyers, script)</p> <p>Talk to sites about promoting Prepaid card option in advance of TPs walking into site</p> <p>Hold conference calls with VITA sites (one before bank/visa call, one after, one during filing season)</p> <p>IRS stakeholder briefing/meeting</p> <p>VITA volunteers consistently follow script</p> <p>Quality Control group check sites to see consistency and adherence to plan</p>	<p>VITA sites receive and display promotion material</p> <p>Promotional messages aired/distributed</p> <p>Prepaid card option information on irs.gov</p> <p>VITA site planning session delivered</p> <p>Scripts delivered to TPs that positively frame the Prepaid card choice</p> <p>TP receives/listens to presentation of refund options deliveries</p> <p>Quality Control checks are done</p>	<p>TP understands concept of a prepaid card (what is a card)</p> <p>TP aware of Prepaid Card option for refund</p> <p>TP thinks about Pros and Cons</p>	<p>TP sees value of Prepaid card over paper check option (safe, secure, convenient) through Pros over Cons</p>	<p>TPs pick Prepaid cards</p> <p>Minimize use of paper checks</p> <p>TP has positive experience using card</p>	<p>TPs always use Prepaid card (repeats) as normal, expected behavior</p>
			challenges			
			<p>TP inertia or status quo against using the prepaid card (assume there is some unknown proportion of population that will never adopt card)</p> <p>TP literacy and numeric skills and abilities</p> <p>TP trust concerns: in fees, in banks, in IRS, in VITA</p> <p>Not a government product—less control and requiring management of product with banks</p> <p>Lack of control with VITA and banks</p> <p>Banks offer different products</p>			