

The Effectiveness of “Opt-Out” Disclosures in Pre-Screened Credit Card Offers

Report submitted to the Federal Trade Commission

Manoj Hastak, Ph.D.¹

September 2004

¹ Associate Professor of Marketing at American University, Washington D.C. Dr. Hastak served as a consultant to the FTC on this project.

comparison shopping).

Methodology

The study used a mall-intercept design and was conducted in ten geographically diverse shopping malls. Respondents were screened to ensure, among other things, that they had received a credit card offer in the last year. The sample was 49.7% male and 50.3% female. The age distribution of the sample was as follows: 42.0% were 18-34, 37.5% were 35-54, and 20.5% were 55-74.

Each respondent was asked to look at one of three versions of a pre-screened credit card offer, each of which consisted of the back and front of a single page. The three versions differed only in the “opt out” notices they contained:

Version #1 (“current”). This version included language that is representative in content and placement (back page of the offer) of language that is currently used in many prescreened credit card offers. No special formatting or colors were used to highlight the text. This version contained only the first two of the four Information Points.

Version #2 (“improved”). This version used new, simpler language to describe the opt-out process. Like Version #1, the notice in this version was located on the back page of the offer. However, unlike Version #1, the notice was printed in blue ink (versus black ink elsewhere on the page), was indented on the left and right sides, and had blank lines above and below the notice in order to increase prominence. This version was designed to communicate all four of the Information Points.

Version #3 (“layered”). This version had the same text, formatting, and placement as Version #2, as well as an added, boxed “short notice” at the bottom of the front page with (1) a statement about the opt-out right and how to exercise it, and (2) a referral to the back page for additional information. This version was also designed to communicate all four of the Information Points, but only the first two were repeated in the boxed “short notice” on the front page.

Each interview in the study was conducted in two phases. During phase 1, respondents were exposed to one of the three versions of the offer and were asked to look over the entire offer, front and back. After the offer had been removed from view, respondents

Information Points were communicated under forced exposure to the opt-out notice. Since forced exposure eliminated any differences in noticeability between the notices, measures obtained during this phase were intended to provide a purer measure of the relative ease of comprehension of the information in the notices.

In sum, while the measures obtained during both measurement phases were designed to assess the communication effects of the opt-out notices, they focused on somewhat different stages of the communication process. Phase 1 measures were designed to pick up differences between the notices based on noticeability as well as ease of comprehension, while phase 2 measures were intended to provide an indication of differences based primarily on ease of comprehension.

The screener and the main questionnaire are in Appendix B.

therefore understood that they had the right to opt out of receiving prescreened offers of credit:

Table 1

Version #1 (Current) n=154	Version #2 (Improved) n=149	Version #3 (Layered) n=156
(A)	(B)	(C)
18.8%	27.5%	30.8% ^{A³}

These results show that the layered version communicated significantly more effectively than the current version the message that consumers have the right to opt out of receiving prescreened offers. Although the improved version also appears to have communicated this point to a higher percentage of consumers than the current version, the difference is not statistically significant.

Information Point #2: you can opt out by calling or writing to a consumer reporting agency

To assess the communication of this Information Point, respondents were first asked:

Did the mailing say or suggest what you should do if you do not wish to receive similar offers from this and other credit card companies?(Q5)

Respondents who responded affirmatively were then asked the following question:

Based on what the mailing said or suggested, what should you do if you do not wish to receive similar offers from this and other credit card companies? (Q5a)

Table 2 shows the percentage of respondents who correctly answered that the opt-out right could be exercised by calling a telephone number or writing to a consumer reporting agency:

³ Indicates that the percentage in this column differs

Table 2

Version #1 (Current) n=154	Version #2 (Improved) n=149	Version #3 (Layered) n=156
(A)	(B)	(C)
8.4%	10.7%	21.2% AB

These results show that the layered version was the most effective at communicating the methods by which consumers may opt out of prescreened solicitations. The differences between the layered version and both the improved version and current version are statistically significant. However, the improved version did no better than the current version in communicating this information to consumers.

Information Point #3: Opting out of prescreened solicitations will not stop all solicitations

To measure their comprehension of the information that opting out of prescreened solicitations will not stop all solicitations, respondents were asked:

Based on what the mailing said or suggested, if you asked that this and other credit card companies not send you similar offers, would you:

- (1) *receive no credit card offers in the future, or*
- (2) *continue to receive some credit card offers, or*
- (3) *something else?(Q6)*

Table 3 shows the percentage of respondents who correctly answered “continue to receive some credit card offers”:

Table 3

Version #1 (Current) n=154	Version #2 (Improved) n=149	Version #3 (Layered) n=156
(A)	(B)	(C)
8.4%	13.4%	14.1%

contain this information item). Thus, the improved and the layered versions were not .g8

Based on what the material said or suggested, what should you do if you do not wish to receive similar offers from this and other credit card companies? (Q10a)

and a closed-ended question:

Based on what the material said or suggested, which of the following steps could you take if you did not wish to receive similar offers from this and other credit card companies?

Call a toll free number? (Q10b1)

how consumers can opt out more effectively than did the current version. The difference between the layered and improved versions is not statistically significant, but both do significantly better than the current version.

Information Point #3: Opting out of prescreened solicitations will not stop all solicitations

With respect to this Information Point, respondents were asked:

Based on what the mailing said or suggested, if you asked that this and other credit card companies not send you similar offers, would you:

- (4) receive no credit card offers in the future, or
- (5) continue to receive some credit card offers, or
- (6) something else?(Q11)

Table 8 shows the percentage of respondents who correctly said “continue to receive some credit card offers” in response:

Table 8

Version #1 (Current) n=154	Version #2 (Improved) n=149	Version #3 (Layered) n=156
(A)	(B)	(C)
13.0%	41.6%A	42.9%A

These results show that the improved version as well as the layered version (which contained this information) were equally effective in communicating the idea that opting out would not stop all solicitations. Furthermore, both versions communicated this idea better than the current version which did not include this information.

Information Point #4: There may be benefits to receiving prescreened offers

To measure the effectiveness of this Information Point, respondents were first asked:

Did the material say or suggest that allowing this and other credit card companies to continue sending you offers might be useful to you, or did the material not suggest that? (Q12)

Respondents who said “yes, it did” were then asked both an open-ended question:

Based on what the material said or suggested, how might allowing this and other credit card companies to continue sending you offers be useful to you? (Q12a)

and a closed-ended question:

Based on what the material said or suggested, would allowing this and other credit card companies to continue sending you offers be useful to you because:

you could compare rates and terms for different offers? (Q13a)

this would improve your credit rating? (Q13b)

Note that the closed-ended question has one correct answer (Q13a) and one decoy (Q13b).

Table 8 shows the percentage of respondents that gave the correct answer to the open-ended question, i.e., that the mailing communicated that continuing to receive prescreened offers might be useful for comparison shopping and/or to get the best rates and terms:

Table 8

Version #1 (Current) n=154	Version #2 (Improved) n=149	Version #3 (Layered) n=156
(A)	(B)	(C)
7.8%	24.8% AC	15.4% A

Table 9 shows the percentage of respondents who said “yes” to Q13a:

Table 9

Version #1 (Current) n=154	Version #2 (Improved) n=149	Version #3 (Layered) n=156
(A)	(B)	(C)
20.1%	38.3% A	30.1% A

Both tables show a somewhat similar pattern. They indicate that the improved version

did the best job of communicating the benefits of receiving credit card offers. The layered version did almost as well – the difference between the layered and the improved version was significant for the open-ended question (Q12) but not for the closed-ended question (Q13a). Finally, both versions did significantly better than the current version which did not contain this information.

Conclusion

The following conclusions can be drawn from this study:

- The layered notice outperformed the current notice in terms of effective communication of key Information Points after a single exposure to an offer containing the notice. Specifically, the layered notice was significantly more effective than the current notice in communicating the right to opt out (Information Point #1) as well as how to opt out (Information Point #2). By contrast, the improved notice did not do significantly better than the current notice in terms of communicating any of the four Information Points after a single exposure to an offer containing the notice.
- Both the layered notice and the improved notice were significantly more effective than the current in communication all four of the Information Points after a second, forced exposure to the notice.
- The layered notice was significantly more effective in communicating the procedure for opting out (Information Point #2) than the improved notice after a single exposure.
- There was some evidence that the improved notice may be more effective in

communicating the benefits of continuing to receive offers (Information Point #4) than the layered notice. However, this result was obtained only for one of two measures, and only after a second, forced exposure to the notice.

-

Appendix A: Mailers

Dear Ms. Smith,

Back in the last century, we saw how technology was changing the way people do things. So we set out to create a smart kind of credit card. One designed for the way you live — today. Meet Option One MasterCard from National Fidelity.

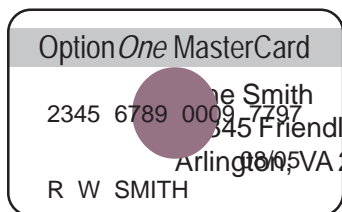
You've been pre-approved for an Option One card from National Fidelity. There's **no annual fee**, and you'll pay **no interest charges for the first twelve months** of Cardmembership on purchases. After that, you'll enjoy a **low 7.99% fixed APR** for purchases when you choose to carry a balance. Plus, when you use the enclosed acceptance certificate to move high-rate balances to the Option One Card, you can save even more with a **0% APR on balance transfers for twelve months.***

But Option One is more than just financially smart — it comes equipped with some of the most intelligent technology available, including a built-in Smart Chip to help make everything you do on the Internet secure. Option One lets you check your balance, manage your account, and pay your bill online. Anytime. What's more, Option One's Smart Chip was made to be updated over time — so no matter how fast the world changes, Option One can help you keep up.

Use the Option One Card, and both you and your purchases will automatically be protected by a range of smart benefits. Like our Online Fraud Protection Guarantee, which promises you won't be held liable for any unauthorized charges. And the Purchase Protection Plan, which safeguards covered purchases against damage and theft.

Plus, the Option One Card is eligible for the Special Rewards program, a flexible, **fee-free** rewards program. Virtually all your Option One purchases earn you points toward great retail and travel.

0001 Tc., JurwargalLw01tlr.y wte ran0PFailnceTJT0.0003 Tc-0.04533Twcertifalltheo enroll.j0 -



You've BEEN PRE-APPROVED!

Dear Ms. Smith,

Back in the last century, we saw how technology was changing the way people do things. So we set out to create a smart kind of credit card. One designed for the way you live — today. Meet Option One MasterCard from National Fidelity.

You've been pre-approved for an Option One card from National Fidelity. There's **no annual fee**, and you'll pay **no interest charges for the first twelve months** of Cardmembership on purchases. After that, you'll enjoy a **low 7.99% fixed APR** for purchases when you choose to carry a balance. Plus, when you use the enclosed acceptance certificate to move high-rate balances to the Option One Card, you can save even more with a **0% APR on balance transfers for twelve months**.*

But Option One is more than just financially smart — it comes equipped with some of the most intelligent technology available, including a built-in Smart Chip to help make everything you do on the Internet secure. Option One lets you check your balance, manage your account, and pay your bill online. Anytime. What's more, Option One's Smart Chip was made to be updated over time — so no matter how fast the world changes, Option One can help you keep up.

Use the Option One Card, and both you and your purchases will automatically be protected by a range of smart benefits. Like our Online Fraud Protection Guarantee, which promises you won't be held liable for any unauthorized charges. And the Purchase Protection Plan[†], which safeguards covered purchases against damage and theft today, and tomorrow.

Sincerely,

John W. Doe
President, Option One MasterCard

P.S. Accept the Option One MasterCard today — it's as easy as going online or returning your acceptance certificate.

0% APR FOR 12 MONTHS
THEN 7.99% FIXED APR



0% APR ON BALANCE
TRANSFERS FOR 12
MONTHS



NO ANNUAL FEE



BUILT-IN SMART CHIP FOR
INTERNET SECURITY



ONLINE FRAUD
PROTECTION GUARANTEE

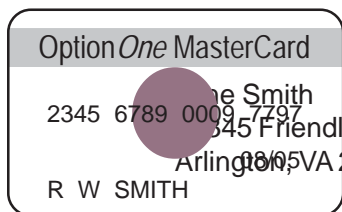


CHECK YOUR BALANCE
AND PAY YOUR BILL ONLINE



FEE-FREE
MEMBERSHIP REWARDS
OPTIONS PROGRAM





You've BEEN PRE-APPROVED!

Dear Ms. Smith,

Back in the last century, we saw how technology was changing the way people do things. So we set out to create a smart kind of credit card. One designed for the way you live — today. Meet Option One MasterCard from National Fidelity.

You've been pre-approved for an Option One card from National Fidelity. There's **no annual fee**, and you'll pay **no interest charges for the first twelve months** of Cardmembership on purchases. After that, you'll enjoy a **low 7.99% fixed APR** for purchases when you choose to carry a balance. Plus, when you use the enclosed acceptance certificate to move high-rate balances to the Option One Card, you can save even more with a **0% APR on balance transfers for twelve months**.*

But Option One is more than just financially smart — it comes equipped with some of the most intelligent technology available, including a built-in Smart Chip to help make everything you do on the Internet secure. Option One lets you check your balance, manage your account, and pay your bill online. Anytime. What's more, Option One's Smart Chip was made to be updated over time — so no matter how fast the world changes, Option One can help you keep up.

Use the Option One Card, and both you and your purchases will automatically be protected by a range of smart benefits. Like our Online Fraud Protection Guarantee, which promises you won't be held liable for any unauthorized charges. And the Purchase Protection Plan,[†] which safeguards covered purchases against damage and theft today, and tomorrow.

Sincerely,

John W. Doe
President, Option One MasterCard

P.S. Accept the Option One MasterCard today — it's as easy as going online or returning your acceptance certificate.

0% APR FOR 12 MONTHS
THEN 7.99% FIXED APR



0% APR ON BALANCE
TRANSFERS FOR 12
MONTHS



NO ANNUAL FEE



BUILT-IN SMART CHIP FOR
INTERNET SECURITY



ONLINE FRAUD
PROTECTION GUARANTEE

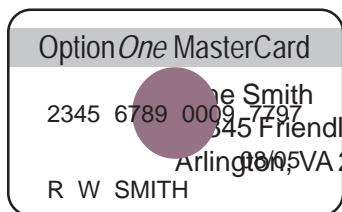


CHECK YOUR BALANCE
AND PAY YOUR BILL ONLINE



FEE-FREE
MEMBERSHIP REWARDS
OPTIONS PROGRAM





You've BEEN PRE-APPROVED!

Dear Ms. Smith,

Back in the last century, we saw how technology was changing the way people do things. So we set out to create a smart kind of credit card. One designed for the way you live — today. Meet Option One MasterCard from National Fidelity.

You've been pre-approved for an Option One card from National Fidelity. There's **no annual fee**, and you'll pay **no interest charges for the first twelve months** of Cardmembership on purchases. After that, you'll enjoy a **low 7.99% fixed APR** for purchases when you choose to carry a balance. Plus, when you use the enclosed acceptance certificate to move high-rate balances to the Option One Card, you can save even more with a **0% APR on balance transfers for twelve months**.*

But Option One is more than just financially smart — it comes equipped with some of the most intelligent technology available, including a built-in Smart Chip to help make everything you do on the Internet secure. Option One lets you check your balance, manage your account, and pay your bill online. Anytime. What's more, Option One's Smart Chip was made to be updated over time — so no matter how fast the world changes, Option One can help you keep up.

Use the Option One Card, and both you and your purchases will automatically be protected by a range of smart benefits. Like our Online Fraud Protection Guarantee, which promises you won't be held liable for any unauthorized charges. And the Purchase Protection Plan,[†] which safeguards covered purchases against damage and theft today, and tomorrow.

Sincerely,

John W. Doe
President, Option One MasterCard

P.S. Accept the Option One MasterCard today — it's as easy as going online or returning your acceptance certificate.

0% APR FOR 12 MONTHS
THEN 7.99% FIXED APR



0% APR ON BALANCE
TRANSFERS FOR 12
MONTHS



NO ANNUAL FEE



BUILT-IN SMART CHIP FOR
INTERNET SECURITY



ONLINE FRAUD
PROTECTION GUARANTEE



CHECK YOUR BALANCE
AND PAY YOUR BILL ONLINE



FEE-FREE
MEMBERSHIP REWARDS
OPTIONS PROGRAM



Dear Ms. Smith,

Back in the last century, we saw how technology was changing the way people do things. So we set out to create a smart kind of credit card. One designed for the way you live — today. Meet Option One MasterCard from National Fidelity.

You've been pre-approved for an Option One card from National Fidelity. There's **no annual fee**, and you'll pay **no interest charges for the first twelve months** of Cardmembership on purchases. After that, you'll enjoy a **low 7.99% fixed APR** for purchases when you choose to carry a balance. Plus, when you use the enclosed acceptance certificate to move high-rate balances to the Option One Card, you can save even more with a **0% APR on balance transfers for twelve months**.*

But Option One is more than just financially smart — it comes equipped with some of the most intelligent technology available, including a built-in Smart Chip to help make everything you do on the Internet secure. Option One lets you check your balance, manage your account, and pay your bill online. Anytime. What's more, Option One's Smart Chip was made to be updated over time — so no matter how fast the world changes, Option One can help you keep up.

Use the Option One Card, and both you and your purchases will automatically be protected by a range of smart benefits. Like our Online Fraud Protection Guarantee, which promises you won't be held liable for any unauthorized charges. And the Purchase Protection Plan, which safeguards covered purchases against damage and theft.

Plus, the Option One Card is eligible for the Special Rewards program, a flexible, **fee-free** rewards program. Virtually all your Option One purchases earn you points toward great retail and travel rewards. Just check the box on your acceptance certificate to enroll.

So say yes to Option One, and get the card that started with a vision of how we'd

Dear Ms. Smith,

Back in the last century, we saw how technology was changing the way people do things. So we set out to create a smart kind of credit card. One designed for the way you live — today. Meet Option One MasterCard from National Fidelity.

You've been pre-approved for an Option One card from National Fidelity. There's **no annual fee**, and you'll pay

Appendix B: Screener and Main Questionnaire¹

Synovate
100 Merrick Road
Rockville Centre, NY 11570

July, 2004

A. RECORD SEX OF RESPONDENT – CHECK QUOTAS

Male

Female

B. In the past year, have you received any of the following in the mail? (READ EACH)

An invitation to apply for a credit card CONTINUE

Coupons from a grocery store

A free sample for a food product

**IF NOT CREDIT CARD,
TERMINATE AND "X" NEXT
NUMBER IN BOX BELOW**

IF NOT D

E.

ID _____

Version: 1

CREDIT CARD OFFER STUDY – MAIN QUESTIONNAIRE

Hello, my name is _____ from _____. Thank you for agreeing to participate in our project. If you wear glasses or contacts for reading, please put them on.

1. I am going to show you a promotional mailing. Assume that you have received this in the mail.

GIVE MAILING #1A TO RESPONDENT.

First, could you please read to me the number and the letter that appears in the top right hand corner?

MARK ONE ANSWER: 1A 1B 2A 2B 3A 3B

IF RESPONSE IS ANYTHING OTHER THAN “1A” TAKE MAILING BACK AND HAND OUT 1A.

Please read this mailing and let me know when you are finished. Be sure and look at both sides of the mailing.

WHEN S/HE IS FINISHED LOOKING, TAKE BACK AND REMOVE FROM VIEW.

Now I would like to ask you some questions. Please base your answers only on the mailing you just read and not on your prior knowledge or beliefs, ok? If you don't know the answer to any question, please say so rather than guess.

1. What was offered in the mailing?
 - 1 OPTION ONE/ MASTERCARD/ CREDIT CARD (CONTINUE)
 - 2 OTHER (TERMINATE)
 - 3 DON'T KNOW OR NOT SURE (TERMINATE)
2. Did the mailing say that you are pre-approved for this credit card offer, or did it not say that?
 - 1 YES, IT DID
 - 2 NO, IT DID NOT
 - 3 DON'T KNOW OR NOT SURE

Q3 and Q3a These question numbers not used in this study

4. Did the mailing say or suggest that you could ask that this and other credit card companies not send you similar offers in the mail, or did the mailing not suggest that?

- 1 YES, IT DID (**CONTINUE**)
- 2 NO, IT DID NOT (**SKIP TO Q7**)
- 3 DON'T KNOW OR NOT SURE (**SKIP TO Q7**)

5. Did the mailing say or suggest what you should do if you do not wish to receive similar offers from this and other credit card companies?

- 1 YES, IT DID (**CONTINUE**)
- 2 NO, IT DID NOT (**SKIP TO 6**)
- 3 DON'T KNOW OR NOT SURE (**SKIP TO 6**)

5a. Based on what the mailing said or suggested, what should you do if you do not wish to receive similar offers from this and other credit card companies? (PROBE: Anything Else? PROBE UNTIL UNPRODUCTIVE. RECORD VERBATIM)

6. Based on what the mailing said or suggested, if you asked that this and other credit card companies not send you similar offers, would you: (READ LIST. MARK ONE RESPONSE)

- 1 receive no credit card offers in the future, or
- 2 continue to receive some credit card offers, or
- 3 something else? (WRITE IN) _____

9 (DO NOT READ) DON'T KNOW OR NOT SURE

7. Did the mailing say or suggest that allowing this and other credit card companies to continue sending you offers might be useful to you, or did the mailing not suggest that?

- 1 YES, IT DID (**CONTINUE**)
- 2 NO, IT DID NOT (**SKIP TO 8**)
- 3 DON'T KNOW OR NOT SURE (**SKIP TO 8**)

7a. Based on what the mailing said or suggested, how might allowing this and other credit card companies to continue sending you offers be useful to you? (PROBE: Any other reason? PROBE UNTIL UNPRODUCTIVE. RECORD VERBATIM)

8. I am going to show you the promotional mailing again.

GIVE MAILING #1B TO RESPONDENT.

First, could you please read to me the number and the letter that appears in the top right hand corner?

MARK ONE ANSWER: 1A 1B 2A 2B 3A 3B

IF RESPONSE IS ANYTHING OTHER THAN "1B" TAKE MAILING BACK AND HAND OUT 1B.

This time, I would like you to read the material that has been circled carefully. Let me know when you are finished.

POINT TO PARAGRAPH ON THE BACK OF THE MAILING THAT HAS BEEN CIRCLED.

WHEN RESPONDENT INDICATES THAT S/HE IS FINISHED LOOKING, TAKE BACK MAILING AND REMOVE FROM VIEW

I am going to ask you some questions about what was said or suggested in the material you just read. Please answer my questions as completely as you can even if you feel that you have answered some of them before. Also, please base your answers only on the material you just read and not on your prior knowledge or beliefs, ok?

8a. What does the material you just read communicate to you? (PROBE: Anything else? PROBE UNTIL UNPRODUCTIVE. RECORD VERBATIM)

9. Did the material say or suggest that you could ask that this and other credit card companies not send you similar offers in the mail, or did the material not suggest that?

10. Did the material say or suggest what you should do if you do not wish to receive similar offers from this and other credit card companies?

- 1 YES, IT DID (**CONTINUE**)
- 2 NO, IT DID NOT (**SKIP TO 11**)
- 3 DON'T KNOW OR NOT SURE (**SKIP TO 11**)

10a. Based on what the material said or suggested, what should you do if you do not wish to receive similar offers from this and other credit card companies?
(PROBE: Anything Else? PROBE UNTIL UNPRODUCTIVE. RECORD VERBATIM)

10b. Based on what the material said or suggested, which of the following steps could you take if you did not wish to receive similar offers from this and other credit card companies?

(RANDOMIZE 10b1 – 10b3)

10b1. call a toll free number?

- 1 YES
- 2 NO
- 3 DON'T KNOW OR NOT SURE

10b2. e-mail the Federal Trade Commission?

- 1 YES
- 2 NO
- 3 DON'T KNOW OR NOT SURE

10b3. write to TransUnion?

- 1 YES
- 2 NO
- 3 DON'T KNOW OR NOT SURE

11. Based on what the material said or suggested, if you asked that this and other credit card companies not send you similar offers, would you: (READ LIST. MARK ONE RESPONSE)

- 1 receive no credit card offers in the future, or
- 2 continue to receive some credit card offers, or
- 3 something else? (WRITE IN) _____

9 (DO NOT READ) DON'T KNOW OR NOT SURE

12. Did the material say or suggest that allowing this and other credit card companies to continue sending you offers might be useful to you, or did the material not suggest that?

- 1 YES, IT DID (CONTINUE)
- 2 NO, IT DID NOT (SKIP TO 14)
- 3 DON'T KNOW OR NOT SURE (SKIP TO 14)

12a. Based on what the material said or suggested, how might allowing this and other credit card companies to continue sending you offers be useful to you? (PROBE: Any other reason? PROBE UNTIL UNPRODUCTIVE. RECORD VERBATIM)

13. Based on what the material said or suggested, would allowing this and other credit card companies to continue sending you offers be useful to you because:

(RANDOMIZE 13a – 13b)

13a. you could compare rates and terms for different offers?

- 1 YES
- 2 NO
- 3 DON'T KNOW OR NOT SURE

13b. this would improve your credit rating?

- 1 YES
- 2 NO
- 3 DON'T KNOW OR NOT SURE

14. When you receive a credit card offer such as this one in the mail, what do you usually do with it? Do you: (READ LIST. MARK ONE RESPONSE)

- 1 throw it in the trash or shred it without opening it,
- 2 open it and skim through it,
- 3 open it and read it, or
- 4 something else? (WRITE IN) _____

THANK YOU FOR YOUR COOPERATION