Topic: Pre-Payment, Pre-Payment of Value, Why It Works

Overview:

Pre-payment for our purposes relates to those instances when someone (fan, customer or gift giver) pre-pays for value that can be redeemed towards retail merchandise, food & beverage purchases, or even additional tickets or other goods or services at specific locations for a specific period of time. This pre-paid value can be accessed via a ticket, gift card, season ticket holder card, RFID chip or band, really any device that has a bar code, mag stripe, QR code, RFID chip or even a fingerprint. When pre-paid value is added to one of these types of devices and it is scanned to redeem goods or services, STADIS© allows both the delivery of that Value and the capturing of exactly what that Value was redeemed on.

Examples:

Pre-paying for goods or services is not new. Most of us pre-pay for things without giving them a second thought. The most prevalent would be your cell phone plan, where you pre-pay each month for a specific number of calling minutes, text messages or data usage. Whether or not these minutes, etc. are redeemed in full, you paid for them. In those instances when you use more or acquire more than your pre-paid amount, you usually can purchase those minutes, etc. at the going rate (usually higher than the pre-paid rate), based on actual usage or you must purchase another pre-paid block of minutes, etc.

Another example is the pre-paid debit card. Here you pre-pay or add dollar value to a debit card (physical or virtual), where you can redeem that value on goods or services at any provider that accepts debit cards. If there is unused or un-redeemed value on that card, it is considered breakage.

In all examples above, the concepts of redemption, breakage (unused value), and uplift come into play.

How Consumers Mentally "Account For" Pre-Payments:

Multiple consumer studies have established the concepts of "Mental Accounting" and "Mental Budgeting". Mental Accounting defines how consumers mentally account for spending and how they account for pre-payment. In most cases, consumers view pre-payment as an "investment" that they'll use or access in the future. In many cases, these "investments" when consumed, are often processed as "free" and possibly even "money-saving events" depending on circumstances. This idea is best summarized as "Invest now, Drink Later, Spend Never"[1],[2]. The concept of "Mental Budgeting" is where consumers mentally segment or bucket their budget based on broad categories or areas of spending. Overconsumption tends to occur when a mental budget is tweaked through receiving a gift or through some other mechanism of increasing a consumer's mental budget in a particular area.[3]

---

[1] Mental Accounting & Consumer Choice, Thaler, Marketing Science, Vol. 27, No. 1, January–February 2008, pp. 15–25
[2] Invest now, drink later, spend never: On the mental accounting of delayed consumption, Shafir, Thaler, Journal of Economic Psychology 27 (2006)
[3] Mental Budgeting and Consumer Decisions, Heath, Soll, Journal of Consumer Research June 1996