$1 Coin Pilot Program Final Report

UNITED STATES MINT
Office of $1 Coin Programs
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Introduction

Although every other industrialized country has replaced its base unit of currency note with a coin, only the United States has repeatedly attempted to co-circulate the $1 coin and $1 note.

The Susan B. Anthony $1 Coin, first released in 1979, did not achieve public acceptance. People generally perceived the coin as unattractive and too easily confused with a quarter.

The Sacagawea $1 Coin, released in 2000, also failed to gain widespread use and acceptance despite significant improvements to the coin. The coin was golden in color, attractive, and had a smooth edge to distinguish it from the quarter. United States Mint marketing efforts were centered on a massive consumer advertising program in an attempt to create widespread support and demand for the coin. Efforts were also made to enlist the support of retailers, but those efforts largely involved short promotional campaigns and did not include efforts to achieve sustained ordering and dispensing. Coin availability issues also served to disable consumer and retail usage, and efforts to actively market the coin ceased by 2002 as demand levels stabilized to around 60 million coins per year.

In 2007, the United States Mint introduced the Presidential $1 Coins, pursuant to the Presidential $1 Coin Act of 2005 (Public Law 109-145, included as Appendix A). To commemorate the service of all American Presidents, this legislation mandated a series of coins, issued at a rate of four per year in the order of the Presidents’ service, beginning in 2007 with Presidents Washington, Adams, Jefferson, and Madison. The coins are golden in color and have inscriptions on their edge. Initial United States Mint efforts focused on public relations tactics including public education and bank outreach programs in an attempt to create support for consumer use. For the first 12 months, efforts focused almost exclusively on generating earned media and distributing program information to banks, retailers, and the general public. These efforts did increase public awareness of Presidential $1 Coins, but did not effect any change in the level of circulation—the public perception was that the Presidential $1 Coins were only collectibles, not circulating coins. This experience, along with that of past unsuccessful attempts to circulate a $1 coin, led the United States Mint to develop a new, different approach to gaining widespread public acceptance and robust circulation of $1 coins.

A first step in developing a new approach involved establishing the Office of $1 Coin Programs in November of 2007. This Office has an exclusive mission to establish robust national circulation of $1 coins. To accomplish “robust national circulation,” the “network effect” must be addressed. The Federal Reserve Bank has explained the network effect as:
Economic theories emphasize strategic interactions between the public, businesses, and banks to explain the difficulty of launching a new coin. Businesses will not order dollar coins or upgrade vending machines until they see the public using them; the public is unlikely to use coins until there are enough places available where it prefers to use them; and banks are reluctant to invest in new equipment to handle coins until there is wide demand for them. These behaviors reflect the presence of network externalities, which arise when the gain from adopting a new technology depends on how many people in the economy have adopted it. Fax machines, credit cards, and DVD players are other obvious examples of cases involving this type of externality (for further explanation, see Osterberg and Thomson in the recommended reading). The presence of network externalities means that even though a change may bring benefits to all parties (here, businesses and consumers), it may not be achieved because all parties need to act in order for the benefits to be realized. Because each party stands to lose if it acts and the other doesn’t, it is risky to make the change unilaterally. Lotz and Rocheteau, *The Fate of One-Dollar Coins in the U.S.*, Federal Reserve Bank of Cleveland (2004).

The challenge in overcoming the network effects is to get all parties to perceive the benefits of the $1 coin and to then begin using it simultaneously. Addressing the network effect also involves identifying and systemically addressing operational and attitudinal (the "awkward moment") barriers at every level.
Strategic Approach

Efforts to introduce and promote $1 coins in the past, from Susan B. Anthony Dollar Coins in 1979, to the Golden Dollar featuring Sacagawea in 2000, to the Presidential $1 Coin Program in 2007 all used a traditional approach to marketing the coins — advertising and public relations. In the end, they all failed to appeal to Americans for use in commercial transactions. After the initial buzz of a launch, Federal Reserve orders for the coins declined over time because banks did not perceive any significant demand from retailers or consumers.

A Fresh Approach

It was clear that a new, radically different approach was needed if the United States Mint was to change attitudes and stimulate robust circulation of $1 coins. Instead of a passive presentation of availability, we needed active engagement. We needed to view $1 coins differently; we needed to view them as a product — a new product with a compelling benefit for the consumer. As with any new consumer product, introduction must be through retail interaction. We needed to confront the “awkward moment” — when the buyer is afraid the cashier will reject the coin for a purchase and its inverse, where the cashier is afraid the customer will reject the coin as change — at its source. We had to make people comfortable with the coins and overcome their perceived notions of deficiency, while at the same time improving the distribution of the coin throughout the supply chain.

A Message with Meaning

As with any new product introduction, our product had to have something new, unique, or special about it to appeal to the customer. Why should a person make the significant effort to change his or her attitudes, habits, and behavior to use $1 coins in commerce? We had to answer this question honestly and convincingly in order to “re-introduce” the $1 coin to the public.

So, how are $1 coins unique? What is so compelling about $1 coins that would make a person want to use one instead of a $1 note? Why does Congress keep passing new $1 coin legislation? We know one of the major reasons is that $1 coins save the country money because they last so long — instead of making $1 notes every year or two, $1 coins last for three or four decades. But in today’s cynical marketplace there had to be something else that would motivate people to change their cash-spending behavior. To compel consumers to change spending behavior, we needed to shift our key messaging to provide a reason for consumers to choose to use $1 coins. We also know that $1
coins save resources and are 100% recyclable; they are “green.” This is an issue Americans care about and retailers around the nation are responding to it.

We thoroughly tested the messaging used in prior $1 coin campaigns and the new proposed messaging in focus groups across the country. The results were clear—the new messaging resonated with people and provided a much-needed business reason for retailers to participate. The resulting message became **$1 Coins last for decades, are 100% recyclable, and save our nation money.**

**Pilot Testing in Four Markets**

With this new messaging as the foundation of our strategy, the United States Mint developed an integrated, strategic marketing program that was well-researched, message-driven, market-tested, and thoroughly vetted to learn the most effective and economical methods to promote the coins. From August through November 2008, we introduced a pilot program in four geographically dispersed markets across the United States to evaluate the methods and outcome of the program without incurring the risk associated with the large expense of a national launch.

We selected four cities:

- Grand Rapids, Michigan
- Portland, Oregon
- Charlotte, North Carolina
- Austin, Texas

We chose these markets because they are mid-sized markets (and therefore easier and more cost effective to manage) and are demographically representative of the United States as a whole. It was important to select markets that collectively were “balanced” in terms of average age, education, household income, ethnicity, and so on, so that we could confidently introduce a similar strategy on a national level. Furthermore, we selected four markets to ensure that we obtained results that would not be skewed by the idiosyncrasies of any one particular market. We wanted to introduce a program designed to achieve results that would reflect a national-level approach.

**A Strategic, Multi-Faceted Approach**

The strategy for the four-city pilot was to divide the campaign into four major components: retail activation, advertising, public relations and supply chain facilitation. Advertising and public relations would make the public aware of the coins and their
attributes, and public relations would drive the message home regarding the new and news-worthy way to view the coins. Outreach to the various supply chain touch points would help us to understand the distribution process more thoroughly, circumvent or resolve problems, and engage banks and retailers to help get coins into the marketplace smoothly and efficiently. But by far the most critical and unique component of the pilot strategy was retail activation—that moment when the coin goes from hand to hand in the retail context would be the key to success. To create robust circulation, our ultimate goal was to make $1 coins so familiar and ordinary that people would use them without thinking—to have them viewed and used simply as money.

**Retail Activation** included a comprehensive retailer solicitation and activation program to motivate retailers to order and support increased usage of $1 coins. We engaged national, regional, and local retailers representing a variety of channels. Activation featured compelling, customized point-of-sale (POS) materials, collateral and promotions as well as associate (cashier) training to support the program. A Local Account Ambassador (LAA) in each market solicited participation from local retailers and assisted in training and troubleshooting. The Real Change Exchange Mobile and Mall Tours conducted incremental distribution events that assisted with retailer buy-in to the program, generated additional interest with the public, and supported participating retailers throughout the pilot period.

**Advertising** included network and cable television ads featuring American icons (the Statue of Liberty and Mount Rushmore), radio, outdoor, bus and train signage, news weekly and women’s magazine print ads, and online media activity on geo-targeted local and national web sites. (TV advertising samples appear in Appendix E.)

**Public Relations** employed a variety of tactics designed to attract attention with the local media outlets as well as consumers. These tactics included mobile tours, mall exhibits, speaking engagements, and third-party outreach. One of the most popular PR tactics employed the use of The Real Change Exchange Mobile Tour. This featured two vehicles modified to appear as armored trucks. These vehicles included supplemental display elements that attracted attention as well. The value of these vehicles is not only that they played an important role in the PR effort, but also that they were critical in securing retail participation. The vehicles traversed the four markets and were promoted in local newspapers and radio spots tagged with the truck tour event locations, dates, and times to generate awareness and drive traffic to the events.

Additional PR in each market included outreach to influential third-parties, such as mayors and business groups, to generate interest and support. We provided continuous newspaper outreach in each market to support our message, including a radio media tour featuring Deputy Director Andy Brunhart, a satellite television media tour featuring Director Ed Moy, and media days that created additional broadcast and print press attention for the Real Change Exchange Mobile Tour appearances. Third-party outreach
included civic involvement/mayoral proclamations in Austin, Charlotte, and Grand Rapids. In addition, local business organizations, including banking, grocery/retail and chamber of commerce groups, participated in all four pilot markets.

**Supply Chain Facilitation** continued for the duration of the pilot as well. We had to ensure that the whole program worked smoothly. If the retailers were willing to participate by ordering coins and dispensing them to the public in cash transactions, they needed to be able to obtain the coins easily and quickly from their banks. Unfortunately, the Federal Reserve and the banking industry, like most organizations, respond to demand. There had been so little demand for the coins in most of the pilot markets that many of the retailers’ banks did not routinely order the coins or have them on hand. The United States Mint worked collaboratively with the Federal Reserve to make sure that $1 coins were flowing into the pilot markets as needed and with local banks to ensure that coins were readily available to retailers. Both the United States Mint and the Federal Reserve were at the ready throughout the pilot period to facilitate when there were snags in the distribution mechanisms.

In addition, for small quantities of $1 coins, from $250 to $500, retailers could order directly through the United States Mint Web site’s Circulating $1 Coin Direct Ship Program. This program enables retailers, or any interested party, to order $1 coins at face value with no additional cost in postage or handling.

**Metrics**

Initially, the measure of success was to be based on pre-test and post-test surveys by our research contractor to determine if there were any increases in possession and usage rates in the four pilot test markets. It was subsequently decided that, despite inherent data collection problems and limitations, we would add Federal Reserve $1 coin payout data for the four markets as a key metric.
Pilot Market Results and Evaluation

We incorporated two key measures to evaluate the overall success of the pilot in the study design: Federal Reserve Bank (FRB) $1 coin payments to commercial banks within the pilot markets, and a survey-based methodology to measure $1 coin usage rate among the adult population within the pilot markets.

Federal Reserve Bank (FRB) $1 coin payments to commercial banks within the pilot markets were selected as a proxy for $1 coin demand. However, total $1 coin demand is comprised of both transactional and collector demand for the coins. Net pay\(^1\) is a good proxy for total coin demand; however, the FRB does not typically measure net pay on a local level.

Because the objective of this pilot was to increase only transactional demand, we also employed a survey-based methodology to measure (among other things) the $1 coin usage rate among the adult population within the pilot markets. A survey-based methodology was deemed appropriate because of the practical difficulty of tracking and capturing coin payments to local markets, and because examining only FRB payments to circulation does not account for any program impact on returns of $1 coin from commercial banks to the FRB.

Coin Payment Measures

Examining FRB coin payments as a proxy for $1 coin demand reveals that during the four-month pilot average daily payments increased 52%\(^2\) during the pilot period and, overall, reported $1 coin payments increased by 24% (1.8M coins). Table 1 provides a detailed look at the increases measured in coin payments. Despite the limitations of this measure, we did observe a significant increase in $1 coin payments within the pilot markets. It is also important to view this increase in the context of the national picture for $1 coin demand. Nationally, FRB $1 coin payments to commercial banks decreased 3.0% from the John Quincy Adams release (pre-pilot period) to the Martin Van Buren release (pilot period). Taken in that context, we were able to reverse the national trend in each pilot market and, on average, make impressive gains.

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\(^1\) Net pay is the difference between FRB coin payments to commercial banks and the amount of coin returned to the FRB by commercial banks in any given time period.

\(^2\) Based on 63 days (pre-pilot) with average daily payments of $74,000 versus 83 days (pilot period) at $113,000 in average daily payments.
Table 1. FRB $1 Coin Payments to Circulation

<table>
<thead>
<tr>
<th>Pilot Market</th>
<th>Pre-Pilot (5/1/08 - 7/30/08)</th>
<th>Pilot Period (7/31/08 - 11/28/08)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austin, TX</td>
<td>330,000</td>
<td>745,000</td>
<td>125.8%</td>
</tr>
<tr>
<td>Charlotte, NC</td>
<td>2,404,000</td>
<td>2,410,000</td>
<td>0.2%</td>
</tr>
<tr>
<td>Grand Rapids, MI</td>
<td>1,490,000</td>
<td>1,805,000</td>
<td>21.1%</td>
</tr>
<tr>
<td>Portland, OR</td>
<td>3,346,000</td>
<td>4,439,000</td>
<td>32.7%</td>
</tr>
<tr>
<td>Pilot Market - Total</td>
<td>7,570,000</td>
<td>9,399,000</td>
<td>24.2%</td>
</tr>
</tbody>
</table>

As stated, because practical limitations exist with applying this measure, we believe that this data likely understates the demand for $1 coin within the pilot markets. Specifically, we believe that a significant amount of $1 coin payout in the pilot markets is not picked up in the FRB data because it may have been paid to and supplied to pilot sites from a commercial bank outside of the pilot market zip codes. There is no practicable way to reasonably estimate the impact of this limitation; however, we have anecdotal evidence of specific instances and we would not find it surprising if the payment data underestimates actual transaction demand for the coin by 20 to 40 percent depending on the market. Additionally, early pilot payout data is likely underreported because initial coin orders could have drawn down on existing pre-pilot bank inventories. Finally, the pilot could have had the effect of reducing returns of $1 coin to the FRB, which would be positive from the standpoint of increasing circulating usage; however, it would not be captured by this payment-based measure. These limitations probably explain, to a significant degree, the variation in payments among the different markets.

Figures 1 through 5 provide cumulative looks at the increases measured in $1 coin payments, both overall and by market site. Again, this data is $1 coin payment data reported by the FRB, normalized to provide comparable 83-day periods.
Figure 1. Cumulative $1 Coin Demand - All Markets
Figure 2. Cumulative Demand - Austin
Figure 3. Cumulative Demand - Charlotte
Figure 4. Cumulative Demand - Grand Rapids
While we believe these results are significant, it is also important to note that the actual execution of the pilot program was delayed and its duration was shorter than originally planned. The planned schedule for pilot market activities was for four months in duration as illustrated below in Table 2. The actual execution schedule is illustrated below in Table 3.
As shown above, although the pilot period for all three communications elements employed (retail activation, advertising, and public relations) was nearly four months in duration as planned, the actual period with active involvement by participating national retailers was only about 45 days. This is important because one of the key findings from
the pilot program is that participation by national and regional retailers drove incremental coin orders; that is, their involvement is critical to increasing circulating use of $1 coins.

Although we engaged many retailers, our success with six major (national and regional) retailers generated a demand for $317,000 in $1 coins per week\(^3\), as illustrated in Table 4. While we began activating the retail component of the pilot with local retailers in early August, we estimate that these small retailers only accounted for $560,000 in incremental $1 coin orders during the pilot period. On the other hand, national and regional retailers accounted for an estimated 1.4 million in incremental coin orders, and all but one were activated for 45 days or less.

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Total Pilot Store Count</th>
<th>Projected Weekly $1 Coin Demand</th>
<th>Avg. Weekly $1 Coin Demand per Store</th>
<th>Total National Store Count</th>
<th>Est. Weekly $1 Coin Demand per Store</th>
<th>Est. Potential National 52 Week $1 Coin Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bed Bath &amp; Beyond</td>
<td>31</td>
<td>$31,000</td>
<td>$1,000</td>
<td>890</td>
<td>$890,000</td>
<td>$46,280,000</td>
</tr>
<tr>
<td>Kmart</td>
<td>20</td>
<td>$25,000</td>
<td>$1,250</td>
<td>1,382</td>
<td>$1,727,500</td>
<td>$89,830,000</td>
</tr>
<tr>
<td>Walgreens</td>
<td>239</td>
<td>$179,250</td>
<td>$750</td>
<td>6,479</td>
<td>$4,859,250</td>
<td>$252,681,000</td>
</tr>
<tr>
<td>Jersey Mikes</td>
<td>26</td>
<td>$18,200</td>
<td>$700</td>
<td>400</td>
<td>$280,000</td>
<td>$14,560,000</td>
</tr>
<tr>
<td>Circle K</td>
<td>16</td>
<td>$8,000</td>
<td>$500</td>
<td>2,100</td>
<td>$1,020,000</td>
<td>$54,600,000</td>
</tr>
<tr>
<td>Harris Teeter</td>
<td>25</td>
<td>$56,250</td>
<td>$2,250</td>
<td>176</td>
<td>$396,000</td>
<td>$20,592,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>357</strong></td>
<td><strong>$317,700</strong></td>
<td><strong>$6,450</strong></td>
<td><strong>11,427</strong></td>
<td><strong>$9,172,750</strong></td>
<td><strong>$478,543,000</strong></td>
</tr>
</tbody>
</table>

Table 4. Estimated $1 Coin Orders by Participating Major National and Regional Retailers

**Survey Measures**

In addition to FRB coin payments, we planned to measure the overall results of the pilot program by employing quantitative survey techniques incorporating pre-tests (baseline) and post-tests in each pilot test area. A qualified independent research firm executed the survey, which was primarily used to gauge self-reported transactional usage of $1 coins among the adult population, as defined by responses to the survey question: “In the past 12 months, have you used a one-dollar coin to pay for something or make a purchase?” The survey also measured rates of $1 coin possession and awareness. The pre-test was conducted in late July before launching any communications; the post-test was conducted in late November/early December. We selected this method because it

\(^3\) Based on program tracking estimates.
allowed us to isolate transactional usage of $1 coins, conduct statistically valid pre and post measures, and infer the results to the United States population as a whole. We posit that we can attribute the difference, or change, in measurements between pre-test and post-test to the impact of the program as a whole.

The results of the survey similarly demonstrate that the pilot program, in general, had a positive impact on transactional usage of $1 coins. We think the results of the survey are probably more reliable than the FRB payment data, although they both indicate program success. The percent change in $1 coin usage rates in each individual market is illustrated in Figure 6.

**Usage for Total U.S. Adult Population and Adult Population of Pilot Cities**

*Did you USE one of those $1 Coins to pay for something or make a purchase?*

![Bar chart showing pre-test and post-test $1 coin usage rates across different markets](chart)

**Figure 6. Pre-Test and Post-Test $1 Coin Usage**

As illustrated above, the national $1 coin usage rate did not change meaningfully from pre-test to post-test, although directionally it appears to go down. In the pilot sites, $1 coin usage rates increased to a statistically significant degree—when we view the pilot markets collectively (13.8 percent) and within both Charlotte and Grand Rapids (31.8 percent and 44.8 percent respectfully). Also, a third market, Austin, shows a positive directional change, although it is not statistically significant. In fact, only Portland
appears to move in an unexpected direction, decreasing from 37 percent to 33 percent (although this change is similarly not statistically significant).

While a move in $1 coin usage from 29 percent to 33 percent may not seem very large, it does represent a 13.8 percent increase in usage rates, and it is important to view this change in the context of past $1 coin efforts. Neither of the campaigns surrounding either the Susan B. Anthony $1 Coin or the Sacagawea $1 Coin led to increased usage of those coins. In fact, this campaign is the first to demonstrate that we can meaningfully increase transactional usage of $1 coins while the $1 note remains in circulation. Also, we achieved these results in a shorter-than-planned time period; results likely would have been more impressive had the pilot program been fully implemented for the entire four months as originally planned.

Additionally, when compared to the national trend, the usage rate in all four pilot markets in the post-test was higher by a statistically significant amount than the national usage rate. In the pre-test, only the usage rate in Portland measured meaningfully higher than the national rate.

In addition to the positive findings regarding $1 coin usage, the survey results also reveal other positive changes in possession rates and attitudes as a result of the pilot program, and tend to indicate positive movement.

Figure 7 illustrates the survey findings related to reported possession rates of $1 coins.
The percentage of people who said they have had a $1 coin in their possession over the last 12 months decreased from 48 percent to 43 percent from pre-test to post-test in the national study—a statistically significant decrease. In Grand Rapids during the same period, the possession rate increased by a statistically significant amount. In both Austin and Charlotte, the possession rate measured higher in the post-test than in the pre-test, though the change was not statistically significant. In Portland, the possession rate decreased from 55 percent to 48 percent—a statistically significant decrease. This was an unexpected finding; however, subsequent research leads us to believe that it was largely attributable to an intervening variable related to Portland’s transit system, Tri-Met.

Tri-Met has been a major user of $1 coins in the region. We believe that the downtick in overall $1 coin possession rates during the pilot period in Portland is due to a current transit campaign to phase out cash and coin transactions for “cashless” options. This would also tend to explain the directional, though not statistically significant, decrease in the $1 coin usage rate in Portland. The fact that Portland experienced a measurable decrease in the $1 coin possession rate, but did not also experience a measurable decrease in its $1 coin usage rate, suggests that the pilot program may have had a positive effect on sustaining usage lost through a decline in transit related usage.
Additionally, as was found with $1 coin usage when compared to the national trend, the possession rate in all four pilot markets in the post-test again measured meaningfully higher than the national possession rate. In the pre-test, only the possession rate in Portland measured meaningfully higher than the national rate.

Other interesting findings from the survey include:

- There are significant increases in unaided awareness of the Presidential $1 Coins among adults in Grand Rapids (increased from 15 percent in pre-test to 25 percent in post-test) and Portland (increased from 12 percent in pre-test to 26 percent in post-test).

- There are significant increases in combined aided and unaided Presidential $1 Coin awareness in all four pilot markets.

- Overall, there are significant increases in all pilot markets in the number of adults reporting they are “very likely” to use $1 coins for purchases. After hearing a description of the Presidential $1 Coin Program, 61 percent (compared to 52 percent in pre-test) of the adult population in Portland; 54 percent (compared to 43 percent in pre-test) of the adult population in Austin; 53 percent (compared to 41 percent in pre-test) of the adult population in Grand Rapids; and 46 percent (compared to 39 percent in pre-test) of the adult population in Charlotte indicated they would “very likely” use the coin for purchases if they received them as change.

- There are significant increases in the number of adults reported being offered a $1 coin in Charlotte (26 percent in post-test compared to 20 percent in pre-test) and Grand Rapids (33 percent in post-test compared to 26 percent in pre-test).

While we know that simply being aware of the $1 coin does not lead to increased usage, increasing awareness is a necessary step to increasing usage. The familiar awkward moment that has posed one barrier to more widespread circulation of the $1 coin cannot be overcome without creating a familiarity with the coins—on the part of both the consumer and the retailer—and an expectation on both sides of the transaction that the coin may be used for payment. The pre-test and post-test survey results indicate that the pilot program was able to make gains in that regard\(^4\). It follows that a more sustained and prolonged program would have even more of a positive impact on these key measures.

\(^4\) The results of a mystery shopping study performed during the pilot similarly indicate that overall attitudes about the $1 Coin among cashiers in retailers participating in the pilot program are generally equally distributed between positive and neutral postures. Negativity about the $1 Coin among this group nearly always reflected the cashier’s perception of unpopularity $1 Coins among customers, but no real dislike on the part of the cashier.
Independent OCFO Analysis

Note: This section contains the independent report prepared by the United States Mint’s Office of the Chief Financial Officer.

The Financial Department, Planning Budget and Internal Controls Division (PBIC) was asked to review the results of the Presidential $1 Coin pilot. Prior to implementation, PBIC provided analysis indicating the pilot would need to generate $15.8 million in revenue to offset the program’s budgeted $11.7 million cost as well as production cost incurred from manufacturing additional $1 coins. In January 2009, PBIC conducted a post-implementation analysis, examining the growth rates of $1 coin net pay in the pilot cities relative to non-pilot cities for a 10 month period. Net pay indicates the demand for coins as experienced by the Federal Reserve Banks (FRB). It is defined as the difference between the amount of coin the FRB pays to (payout) and receives from (flow back) depository institutions. Net pay is positive when depository institutions require more coins to fulfill demand than they return to the FRB (payout is greater than flow back). Net pay is negative when the FRB receives more coins back from depository institutions than it distributes (flow back is greater than payout). Net pay represents demand for minted coins over and above coins already in circulation. It is generally used by the United States Mint as a proxy for coin demand to forecast circulating production and shipment requirements.

The FRB compiles monthly payout, flow back, and net pay data for 30 branches in 12 regional districts throughout the country. To examine pre- and post-pilot trends in net pay, we identified the FRB branches that likely fulfill coin demand in the four pilot cities. Only Charlotte, NC contains a FRB branch. FRB branches in Seattle, WA and Detroit, MI were assumed to provide coins to depository institutions in Portland, OR and Grand Rapids, MI respectively. Identifying a single FRB branch for Austin, TX was more problematic. The FRB maintains branches in both San Antonio, TX and Houston, TX. Given their geographic proximity, FRB branches in both cities were likely to provide coins to depository institutions in Austin. Over the 10 month period examined, monthly payout and flow back figures for each of these branches were on average 90 percent below those of the other pilot branches. This suggested that San Antonio and Houston branches were smaller offices, each fulfilling a portion of the coin demand in the region. Consequently, PBIC utilized figures aggregated for San Antonio and Houston FRB branches to indicate trends in payout, flow back, and net pay for Austin. The remaining 25 FRB branches were assumed to provide coin to regions outside the pilot areas.

We compared $1 coin payout, flow back, and net pay data for pilot and non-pilot FRB branches in the 5 months prior to (March to July 2008) and the 5 months (August to December 2008) during pilot implementation. In all pilot branches, $1 coin net pay increased substantially from the prior period. Total pilot area $1 coin net pay increased 177 percent from about 5.2 million in the pre-pilot 5 months to nearly 14.4 million during
the pilot. Consistent with seasonal trends, the net pay of non-pilot branches also increased from the pre-pilot period but to a lesser extent. Total non-pilot area $1 coin net pay increased 88 percent from about 47.9 million in the pre-pilot 5 months to 89.8 million during the pilot. The pilot cities’ higher growth rate was due to declining flow back. In the non-pilot area, both payout and flow back increased from the prior period. In the pilot area, total payout increased, but flow back declined slightly.

To estimate the return on the pilot, PBIC assumed that each pilot city would exhibit a net pay growth rate comparable to the non-pilot growth rate in absence of the program. Calculated as the difference between actual net pay during the pilot period less assumed growth at 88 percent, the pilot generated a total of $4.6 million in additional net pay. To calculate total cost, we then estimated the cost to produce additional coin for each branch and added the United States Mint’s total actual expenditure to-date on the pilot contractor. After 5 months, the pilot had a negative net return of $7.2 million, implying the program has covered 39% of its total cost.

PBIC does not consider this the final return on the pilot investment because it only examines the net return for the program’s 5 month implementation period. A more accurate analysis would examine the return over a longer period of time and control for the impact of seasonal swings in spending patterns. We expect there will be lingering effects from the initial pilot investment that may continue to increase net pay above what would be observed in these cities in absence of the program.
## Table 5. Presidential $1 Coin Return on Investment Analysis

Note: OCFO-provided table based on FRB TR9000 Report data.
Table 6. Net Pay Summary Data – All Non-Pilot Cities and All Pilot Cities

Note: OCFO-provided table based on FRB TR9000 Report data.
### Table 7. Net Pay Summary Data – Charlotte and Detroit

Note: OCFO-provided table based on FRB TR9000 Report data.
### Table 8. Net Pay Summary Data – Houston and San Antonio

Note: OCFO-provided table based on FRB TR9000 Report data.
### Table 9. Net Pay Summary Data – Seattle

Note: OCFO-provided table based on FRB TR9000 Report data.
Lessons Learned

Lesson 1: A Multi-Faceted, Integrated Communications Strategy was Critical

This strategy included four key elements: retail activation, advertising, public relations, and supply chain facilitation.

Retail Activation

A strong advertising program is necessary for encouraging retailer participation as well as driving consumer understanding and acceptance. Pilot results show that retailers will not agree to activate without advertising and public relations support elements. A synergistic, multi-faceted approach was the key to motivating retailers to participate, and omitting any of the four elements would have had a negative impact on the program’s success. It is important to understand that we were asking retailers to DO something (“activate”) that involved a significant shift in their normal coin ordering and handling operations with no tangible profit incentive. We compensated retailers for the effort by offering them solid support elements such as “free” advertising (TV, print, radio, out-of-home, and so on); attractive point of sale materials with strong messaging; assistance with operational hurdles, such as employee training and coin orders; and local public relations efforts to attract consumers to stores. All of these elements, working together, proved to be the combination that unlocked resistance and skepticism, and motivated retailers to actively participate in the pilot.

Advertising

Advertising in pilot cities where the retailers had a strong presence was crucial for retailer buy-in. Advertising in a wide range of mediums helped not only to thoroughly saturate the area with our messaging, but also to link the program directly to retailers—all at no expense to the retailers. The advertising not only enhanced consumer awareness and education about the $1 coin’s attributes, but also helped ease the retailers’ operational transition and the customer/cashier cash-exchange process. Once retailers agreed to participate in the program, they benefited from additional, more localized advertising and news coverage that linked them to the program’s supporting public relations efforts; in other words, radio tags publicized the Mall Tours and the Real Change Exchange mobile vehicle presence at particular retail locations on specific days and times. This helped build excitement and generate real enthusiasm with the retailers. Everyone from the store cashiers and managers to the corporate executives got involved and felt connected to the pilot initiative.
We did learn that targeting advertising to retailers to solicit participation was not effective. We used this tactic at the very onset of the pilot period, but it proved not to be a useful tactic. Face-to-face retailer solicitation was the approach that most often reaped positive results.

**Public Relations**

A comprehensive public relations campaign, using non-paid media and third-party endorsement, helped persuade both retailers and consumers to accept and dispense $1 coins. Over the pilot period, we found that press stories about $1 coins slowly moved from being cynical and negative, to neutral and open, to a culminating article in *USA Today* dated November 12, 2008, that advocated the elimination of the $1 note in favor of a national conversion to $1 coins. This public relations campaign, combined with third-party outreach, resulted in significantly more opportunity to promote the use of $1 coins. In fact, 45 percent of third parties contacted helped us to spread the message about the $1 coin to their members and constituents through publication of program news releases in trade publications and on websites, pilot city Mayoral proclamations and speeches, and opportunities for United States Mint personnel to address key stakeholders.

Pilot results showed that strong messaging drove media interest, and hard news coverage drove success. Ultimately, the broadest and most substantial news coverage we received during the pilot echoed our messaging and was the key driver to gaining media attention. Social media monitoring of other integrated communications (for example, the Internet and blogs) also showed a transition in commentary from negative to positive/neutral in pilot markets.

The added attraction of two Real Change Exchange Mobile tour vehicles was a critical public relations tactic and selling point for national and regional retailer activation. The truck appearances provided retailers with added incentive for ordering and dispensing $1 coins because the trucks helped attract attention to the retail establishment as well as increase foot traffic for their store throughout the day of the event. This activity, along with the Mall Tours, provided consumers opportunities to see and touch the $1 coin and talk to United States Mint representatives, therefore eliminating any myths or misunderstandings they may have had about $1 coin use and distribution. The idea of “sampling” became an extremely useful tool for our public relations strategy.

**Supply Chain Facilitation**

We learned early in the pilot period that getting $1 coins from the Federal Reserve into the banks who service their retail customers was one of our biggest challenges. Outreach to and communication with financial institutions, armored carriers, and the
Federal Reserve banks early and often became a critically important part of the strategy. We found that since the banking industry facilitates the flow of $1 coins into the marketplace, the effort to thoroughly brief entities at all levels about the pilot and get them involved was extremely important. Representatives from the Office of $1 Coin Programs, accompanied by the United States Mint Federal Reserve Liaison, visited and briefed all of the Federal Reserve Banks who distribute $1 coins into the pilot areas. Once the Federal Reserve officials understood the pilot more clearly and could see that they played a key role in the process, we saw a marked shift in their support and involvement in helping us achieve success. This helped to keep the supply chain and distribution process smooth while personally involving the decision-makers in the $1 coin supply chain. The Federal Reserve Banks also helped communicate and encourage their colleagues, through their channels and down to the bank level, to do what they could to support the initiative. This was a public relations bonus in our multi-level strategy.

Additionally, representatives from the Office of $1 Coin Programs traveled to each pilot city and personally visited all of the banks who had accounts with participating retailers. This undertaking proved to be extremely valuable in facilitating both communication and the $1 coin ordering process, taking the burden off the retailers. We gained valuable insights from these visits, including that most banks still consider $1 coins as collectibles versus circulating coins, and rarely order them other than on an as-needed basis for their customers who request them. These visits helped to better inform and encourage banks to dispense $1 coins regularly. Once retailers began ordering $1 coins from their banks, the process went smoothly. The interaction with the banks dispelled the myth held by retailers that banks don’t carry $1 coins and wouldn’t be able to support their needs for pilot participation.

We also found that once banks were more informed about the pilot initiative, they were more interested in how they too could capitalize on the program. In fact, as a result of this outreach, one bank in Grand Rapids took the pilot to a whole different level by actually participating in (activating) the program as if they were a retailer by displaying free POS materials and ordering and dispensing large quantities of $1 coins exclusively for several weeks in all of their branch locations. This initiative served as a case study and proved useful in our additional outreach to other financial institutions and entities.

In conclusion, outreach to all of the supply chain distribution points—banks, armored carriers, correspondent banks, and Federal Reserve Banks—significantly and positively influenced the other elements of this multi-level, integrated communications strategy, including the overall outcome of the pilot.
Lesson 2: Messaging was Key

$1 Coins are durable, 100% recyclable, and save the Nation money. Well-tested, concise, consistent, and clear messaging in all communication was critical to driving retailer participation as well as consumer interest and awareness. It was important to retailers to learn that the messaging used in our advertising and all promotional vehicles had been thoroughly tested via focus groups and surveys. Retailers and consumers reacted positively, and found the “green” messaging meaningful and a strong call to action. In fact, those retailers who had a well-developed environmental focus as part of their corporate profile found the pilot messaging that much more intriguing and easy to understand. Those retailers were eager to participate and activated quickly. The messaging resonated with the press as well, and drove broad and positive news coverage.

Lesson 3: Top Down, NOT Bottom Up

We learned that participation by national and regional retailers was much more effective in driving incremental $1 coin orders than soliciting participation by small/local retailers. Direct contact/canvassing for small retailer participation certainly built goodwill, but was labor intensive and costly. Although we successfully engaged more than 600 small retailers in the four pilot cities, our success with six national retailers proved to offer the better return on the investment. Six major national and regional retailers ordered $1.8 million coins, and 600 small retailers ordered an additional $564,000 coins.

Lesson 4: Recruitment and Activation Took Time

Corporate-owned enterprises require a minimum 20-24 weeks of advance work, and franchise operations take much longer—an average of 8-12 months. It is important to note that national retailers who participated in the pilot program only activated stores in the pilot city; however, if they had activated nationally, the activation time would have increased significantly. Additionally, reaching the “right” people is critical and can save a significant amount of time. If the corporate Treasurer and Cash Operations Manager are not involved from the onset of discussions and supportive of the proposal, the retailer is unlikely to participate.

Because we learned that a top-down approach to engaging retailers is more valuable, we will continue to encourage national retailers to participate in our programs and will need to build in the time needed to fully implement the program on a national level. It is also important to encourage retailers in the pilot program to continue ordering and dispensing $1 coins in their retail establishments.
Lesson 5: Personalized Service Made a Difference

Once retailers agreed to participate in the pilot, personal assistance by dedicated support teams at the pilot startup made the transition easy and complete. Local Account Ambassadors and representatives from the Office of $1 Coin Programs helped retailers train store managers and cashiers; order and set up in-store, customized Point-of-Sale materials; resolve any $1 coin availability issues that surfaced with their banks or cash supplier; and troubleshoot problems or issues as they surfaced. Not only did we offer retailers a free kit or sampling of POS materials for their immediate use, but we also walked them through the on-line process of customizing their own POS, applying their logo (free of charge), and ordering sufficient quantities to support their needs.

Feedback from the retailers indicated that this added touch of personalized service was crucial in their activation. We assisted store managers/owners in setting up the POS materials and training their employees on its use and messaging. We provided real-time training for cashiers and provided them incentive items (t-shirts and buttons) to get them engaged and to drive home the importance of their role in how their customers reacted to receiving $1 coins in change. In fact, through personalized training we learned that counter to our initial concerns about cashiers being uncomfortable with, and therefore a barrier to, dispensing $1 coins in change, this was not the case. Once trained and “armed” with the materials and information, their confidence level was heightened and the cashiers became some of our staunchest $1 coin ambassadors.

At the conclusion of the pilot, we sent personalized thank you letters to all 786 participating retailers. Each letter not only thanked them for their participation in the pilot initiative but shared some early pilot results and encouraged continued use of $1 coins. Again, this personalized attention proved useful in keeping retailers motivated and engaged, as evidenced by replies to the letters. Retailers felt empowered to call their Local Account Ambassador or one of the United States Mint representatives to get answers to questions, as well as to provide us their insights and suggestions—many of which were unique and valuable.
Conclusion

First and foremost, based on our experience with the $1 Coin Pilot Program, we believe that the United States Mint has an opportunity to meet its FY 2009 goal of $450 million in $1 coin net pay. We are confident that a careful, cost-effective application of the successful tactical elements of the pilot program, in combination with other initiatives already in development, provides the United States Mint with a reasonable probability of success in establishing co-circulation of $1 coins and $1 notes.

While not all elements of the pilot program strategic approach worked as we had hoped, a number of the key tactics worked extremely well. Interestingly, and very importantly, the most successful tactical elements tended to be some of the least costly parts of the pilot strategic plan. Elements of the pilot program tactics detailed in the following sections worked very well and would be employed in a larger scope follow-up program.

Messaging and Call to Action

It is clear that there is no credible financial or utility-based business case that resonates with or motivates retailers or consumers to use $1 coins. The data presented in this final report and the level of national retailer participation achieved in the pilot program make it patently clear that the pilot messages of “Lasts for Decades,” “Saves the Nation Money,” and “100% Recyclable” performed better than any messaging used during the 2007 introductory period for the Presidential $1 Coin or any messaging used in prior $1 coin programs. It is true that for the first time, the United States Mint achieved sustained, non-promotional ordering and dispensing of $1 coins by major national and regional retail establishments. Proof of the success of the pilot messaging is also borne out in the evolution of press coverage for the program, which began skeptically and cynically, moved to neutrality, and is currently overwhelmingly positive in tone. Evidence of the credibility of the message culminated with the editorial advocacy for a national conversion to $1 coins by a major national newspaper. More recent evidence of the success of the messaging is indicated by the interest of the Disney/ABC Corporation in implementing a $1 coin program within their amusement park system, and by the Nike Corporation who has adopted $1 coin usage on its large corporate campus.

Multi-Faceted Implementation Strategy Focused on National/Regional Retailers

Our contractor proposed and implemented a three-pronged attack strategy to address the so-called “network effect.” This involved a top-down and a bottom-up retail activation strategy. One contractor team focused—very successfully—on recruiting large national
and regional retailers, while local contractor representatives employed a grass-roots approach to reach and motivate small local retailers and franchisees to order and distribute $1 coins. Our initial assumptions that a traditional package product “boots on the ground” distribution approach would be the primary means of achieving $1 coin circulation proved to be wrong. A comparison of cost-effectiveness, measured by the ratio of $1 coins ordered to dollars spent, showed clearly that the “boots on the ground” grass roots approach to retail activation could work but was not cost effective. In fact, while approximately half the contractor’s efforts were spent activating small retailers, they only accounted for 29% of coins distributed. A larger scale, top-down approach that generated over 70% of coin distribution could be employed to exceed the organizationally required metric of ten coins per dollar spent.

The second “prong” of the strategy involved implementing a multi-media advertising program to build awareness with consumers, build credibility with retailers, and motivate each to embrace the use of $1 coins. The data clearly prove that the most effective advertising medium for the $1 Coin Pilot Program was television advertising. This was followed by radio advertising that was used primarily to inform the public of the planned locations of the $1 Coin Exchange Vehicles. It is important to note that while the advertising does not directly affect $1 coin circulation, it is an extremely important and necessary element in achieving consumer acceptance and supporting retailer participation.

The third “prong” of the strategy was a public relations program that focused initially on staged events in the cities and attempts to rally third-party advocates. This approach was very quickly shelved in favor of a pure media management focus. This resulted in some very positive news stories at both the local and national levels.

The impact of the switch to media management, and the resultant positive coverage, is important for four reasons: 1) it fostered local public acceptance of the viability of $1 coins; 2) it cemented our relationships with the retailers by building program credibility and smoothing the sometimes dicey transactional process between cashier and consumer; 3) it attracted additional high-value retail entities including Disney and the Harris-Teeter grocery chain that joined the program at the conclusion of the pilot; and 4) it established a solid and credible foundation of awareness and acceptance for a potential larger scale program at the national level.

**United States Mint Supply Chain Facilitation**

It quickly became clear that a fourth “prong” was required to make any progress. The “network effect” is still alive and well entrenched. It is particularly evident in the nation’s banking system, where most banks still do not order $1 coins because they believe they are meant only for collection and/or they do not yet believe in the viability of a circulating
$1 coin. Office of $1 Coin Programs and Manufacturing staff worked in parallel with contractor retail activation staff to engage the local Federal Reserve offices and troubleshoot sporadic problems involving retailers' inability to get $1 coins from their servicing banks. Direct contact with banks in the local areas led, in a number of cases, from intransigence to overt program advocacy. The effort proved that in the vast majority of cases, banks’ non-ordering habits were largely the product of misunderstanding or inaccurate information. This effort proved to be a critical and necessary component of the pilot program, and would be essential to the success of any larger-scale program.

Moving Forward

Overall, the pilot program increased payments by 24% in less than four months. While the numbers provided by the Federal Reserve are not overwhelming, they do provide convincing evidence of the success of the $1 Coin Pilot Program. We believe the data must be considered in light of the anomalies and inconsistencies described earlier in this report, as well as the severely compressed pilot timeline. Nonetheless, we made substantial progress in the pilot program—significantly more $1 coins were put into circulation and, most importantly, we achieved large retailer participation, which is the key to national success. The data clearly show that the pilot effort, spurred by the late activation and ordering of our large retail participants, was gaining traction, and that directionally the program was moving along as planned. We believe that the results do provide a strong indication that we can significantly increase $1 coin circulation and usage by applying a strategy similar to that employed in the pilot, but modified and fine-tuned by what we have learned.

Meeting the FY 2009 organizational goal would require the United States Mint to execute programs both within and outside the context of the $1 Coin Pilot Program. In essence, these would be:

- Focusing on the national conversion of large retail pilot participants
- Executing an agreement with Disney to distribute $1 coins in the two domestic parks
- Moving Native American $1 Coins into circulation through a combination of in-house efforts—including the Circulating $1 Coin Direct Ship Program, bulk sales to dealers, and shipments to large transit authorities—and establishing agreements with American Indian-owned businesses and affinity groups

Finally, it is also important to note that the current national financial crisis, and the new administration’s initiatives to seek out ways to reduce spending without inflicting significant damage to necessary government programs, makes this an extremely
favorable climate for proving the marketplace efficacy of $1 coins and moving the nation toward complete conversion.
Glossary

Channel
A method or mode for distribution of a product or information.

Collateral
Informational materials supporting a program or product.

Flow back
Excess coinage returned to the Federal Reserve by member banks for redistribution.

Incremental distribution
Distribution of a product above and beyond a given threshold level.

Local Account Ambassador (LAA)
A staff member located in a pilot city who is responsible for meeting the needs of participating retailers and banks.

Mystery shopping
The concept of testing the efficiency or effectiveness of retail transactions by an individual posing as a shopper.

Net pay
The difference between the amount of coinage the United States Mint pays out to the Federal Reserve and the amount of coinage deposited back into the Federal Reserve by member banks.

Network effect
The effect that one user of a good or service has on the value of that product to other people; for example, the more people who use telephones, the higher the value of a telephone to each user.

Out-of-home
Advertising that is normally viewed outside the home, such as on buses, in subway stations, and on billboards.

Point-of-sale (POS)
Advertising or informational materials that are posted for customers to view while initiating or completing a retail transaction.
Public relations
A multi-faceted craft with the key objectives of informing the public/media and managing relations with the public/media.

Retail activation
The act of enabling a retail entity to perform a desired task, e.g. ordering and dispensing $1 coins.

Social media
Rapidly growing forms of informal communications networks most often associated with the Internet; for example, blogs and chat rooms.

Supply chain
The system of organizations, people, technology, activities, information, and resources involved in moving a product or service from supplier to customer.
Appendices

A. Presidential $1 Coin Act of 2005

B. $1 Coin Robust Circulation Program

C. $1 Coin Pilot Program – Steering Committee Briefing – 6/17/08

D. $1 Coin Pilot Program Recap

E. $1 Coin Advertising

F. USA Today Editorial

G. Gallup Study – Pre-Test

H. Gallup Study – Post-Test