

MERCHANT-OFFERED FINANCING



HOW TO GIVE CONSUMERS WHAT THEY WANT

Merchant-offered financing is becoming increasingly popular with consumers. In fact, more than one-third (37 percent) of credit-challenged customers have used POS financing in the past year or plan to use it within the next 12 months. That demand means more consumers are also looking for retailers to offer financing options. Fully 1 in 4 consumers (25 percent) expect stores to offer financing products, and more than 4 out of 5 consumers (84 percent) want to apply for merchant financing online.

Retailers have an opportunity to capitalize on this trend, but running a successful financing program is not always easy. For retailers interested in launching or revamping a financing program, they can turn to the Merchant Financing: Consumer Perspectives Study. The study examined the financing needs and preferences of consumers and found that a successful financing program often hinges on four things: omni-channel options, knowledgeable associates, easy-to-understand products, and an efficient application and approval process.





HOW CONSUMERS USE FINANCING

When building a financing program, it helps to know how and why consumers use merchant financing. The study looked at how much consumers are financing, how often and why, providing insights into the types of financing products they need.

Amount: High-dollar purchases often motivate consumers to apply for financing. The study found that most consumers begin considering financing options for purchases of \$750 or more. As an added bonus for retailers, 28 percent of those who have used financing in the past said they used it in order to purchase more.

Product Categories: Consumers are more likely to consider using financing for furniture (76 percent), appliances (77 percent) and home repair (71 percent). Many would also use financing for computers/electronics (69 percent) and auto repair (62 percent).

Frequency: On average, consumers who have used in-store financing in the past have done so three times in the past five years for purchases over \$500.

Users: Consumers who use merchant financing often do so for a wide range of reasons: the monthly payments fit their budget, the expense was unplanned, and/or the financing terms are good. Many financing users are not necessarily low income; in fact, 61 percent of credit-challenged consumers who have used financing make \$50,000 or more per year.

CONSUMERS WILL
CONSIDER USING
FINANCING FOR:



76%

FURNITURE



77%

APPLIANCES



71%

HOME REPAIRS



69%

HOME ELECTRONICS



62%

AUTO REPAIRS



WHAT CONSUMERS WANT FROM MERCHANT FINANCING

The study also explored consumers' preferences when it comes to in-store financing, determining the factors that motivate them to use a retailer's program. When it comes down to it, consumers said they were most likely to consider the basics when deciding whether to accept a merchant financing offer: interest rate, monthly payment amount and the total cost of the product with financing. But other factors are also major motivators for consumers:

Easy application and approval: Consumers overwhelmingly want the application process to be simple and speedy. Roughly 9 in 10 consumers (91 percent) want to know whether they're approved for financing immediately after applying. Additionally, while 92 percent of consumers say they're likely to consider a different financing product if they're declined for another, 53 percent would be less willing to do so if they have to fill out another application.

Omni-channel: Additionally, consumers want online, self-managed application options. While many past users applied via a paper app in store (28 percent), 34 percent of prospective users say they would rather apply on the retailer's website before heading to the store. More than half of consumers (51 percent) say they prefer to complete and submit the financing application themselves.

Attractive promotions: Reduced or no-interest offers often drive consumers to use merchant financing. Roughly one-third of consumers who have used it (33 percent) were attracted to a merchant's financing program by a no-interest promotion.

Clear terms: Consumers want to know what they're getting into. Fully 95 percent of consumers say clear, understandable terms and conditions are important when it comes to choosing a financing product.

Informed staff: Sales associates who understand the merchant's financing program can make a real difference. 35 percent of consumers prefer to learn about a store's financing options through sales or service associates, and 72 percent of consumers say knowledgeable sales/service staff played an important role in getting them to use financing.



KEYS TO FINANCING PROGRAM SUCCESS

Knowing what consumers want and need from a merchant financing program makes it easier for retailers to launch a successful one. For merchants interested in starting or changing an in-store financing program, the data suggests that the following attributes are key.

Appealing financial products: For consumers, appealing terms and monthly payments are critical factors in deciding whether to use in-store financing. More than 4 in 10 consumers (43 percent) chose to use financing because the payments fit their monthly budget. Additionally, many consumers chose financing based on promotions, such as no interest for a period of time (33 percent), low introductory rate for a period of time (31 percent) and no down payment required (29 percent).

Online information and application options: It's becoming increasingly important for retailers to offer information about their financing program online. Many consumers—73 percent—search the Internet for information about a retailer's financing program, and 66 percent turn to retailers' websites for financing information. Additionally, the vast majority of consumers (84 percent) would like to apply for merchant financing online, before they even enter the store.

Fast, convenient application and approval process: Just as important as the application's format is the approval process: among past and prospective financing users, 63 percent consider instant approval to be extremely important to their application experience. They also don't want the hassle of filling out multiple applications. Among consumers, 62 percent are more likely to consider multiple financing offers if they don't have to fill out another application.

Transparency: What's the interest rate for this financial product? If there's a promotional rate, when does it end? What are the payment terms? Roughly 3 in 4 consumers say clear, understandable terms and conditions are extremely or very important to them. Retailers, then, must be able to provide straightforward information on their financing products and make sure sales and service personnel are able to explain how the products being offered work.

For retailers looking to launch or expand their merchant financing program, it's best to look for vendors who can offer these features. For retailers who already have a financing program in place, now is the time to assess whether your current vendor is meeting consumers' needs and preferences.

An effective merchant financing program can lead to increased sales and greater customer loyalty. In fact, a recent Vyze survey found that 100 percent of vendors who offered financing said it allowed their store to make more sales, and 3 in 10 customers are more likely to shop at a store that provides additional financing options. Those results don't happen automatically, though. To see maximum benefit from a financing program, it's essential for retailers to understand the financing wants and needs of their target customers—and then meet them.



66% TURN TO **RETAILERS'**
WEBSITES FOR FINANCING
PROGRAM INFORMATION



73% OF CONSUMERS
SEARCH FOR **FINANCING**
INFORMATION ONLINE



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