Seventy-Eight Percent of Retailers Plan to Improve General-Purpose Credit Card Installments Acceptance To Meet Growing Consumer Demand, According to New Report

New Data from Splitit and PYMNTS Finds that 78% of Merchants Plan to Improve Credit Card Installment Options

Disconnects Exist Between Merchants, Acquirers, and Consumers On Where and When to Offer Installments-Based Options

ATLANTA, Feb. 14, 2024 /PRNewswire/ -- General-purpose credit card installment plans are a reliable route to increased sales and improved customer satisfaction, according to new research from Splitit and PYMNTS. The report, *Divided, Not Conquered: Acquirer and Merchant Confusion Clouds Split-Payments Landscape* finds that 78% of merchants intend to improve, or are currently improving, their ability to accept these payments. Fewer declined transactions and faster processing times are two of the benefits to card-attached installments cited by 48% of the merchants surveyed, while 44% of the acquirers surveyed cite greater transparency in payment processes. While nearly one-third of the merchants surveyed believe that consumers will spend more when using general purpose credit card installments, 76% of merchants expect the consumers' use of card-attached installment plans to increase.

"Our data shows that because of higher average order values and greater consumer satisfaction, more than three-quarters of the merchants surveyed are planning to improve their systems to support card-attached installments," said Nandan Sheth, Chief Executive Officer, Splitit. "Although some disconnects between merchants, acquirers, and consumers were found in the report, the future is very bright for card-attached installments. We know that providing a white-label card-based solution, such as Splitit's, is appealing to a broad range of highly qualified shoppers with, on average, higher FICO scores and fewer delinquencies overall."

The survey noted significant disconnects between merchants and acquirers about installment plan offerings, including which ones consumers prefer and when in the purchasing journey they should offer the option. While only 50% of acquirers claim to support offering general-purpose credit card installment plans during checkout, analysis of the data reveals that this portion is much closer to just 8%. And while 30% of merchants believe that consumers would prefer to know about their payment options early in the customer journey, before making their purchasing decisions, more than twice as many shoppers—66%—say that they want to see their payment options before they decide what to buy. Meanwhile, only 4% of merchants ever offer a card-based installment plan prior to checkout, potentially losing out on much higher average order values.



Nearly 80% of the merchants surveyed who want to offer installment plans before checkout say that this will lead to increased sales, meeting consumer demand, improving customer satisfaction, reducing declined transactions, and gaining an advantage over their competitors.

Other key findings include:

- 71% of consumers cite better spending management as a reason for using a split payment plan in the last year.
- 61% of merchants prefer card-attached payments because there is more transparency in the payments process. 55.6% cited the reduction in delinquencies for card-based installments users, and 50% because they are meeting demand driven by changes in consumer behaviors.
- Nearly two-thirds (64%) of consumers earning over $100,000 annually use installment plans, challenging assumptions about credit card use and income.
- Usage for installments-based plans is often divided along generational lines. Younger Gen Z users often prefer installment plans for everyday purchases while older consumers such as Millennials and Bridge Millennials use them for less-frequent, higher-ticket items.
- Consumers say that they use installment plans for a variety of products. 71% of merchants report that consumers have used general-purpose card installment plans to buy clothing and accessories or health and beauty products.
- One-fifth of merchants note consumer dissatisfaction with limited payment options, such as scarce Buy Now Pay Later (BNPL) options, yet 60% of consumers have used installment plans, with the majority---45%--using general-purpose credit cards installments.
- 60% of acquirers plan to enhance their ability to offer installment plans within the next year, and 39% of acquirers that currently do not support card-attached installment plans at checkout plan to do so in the future.
- Consumer preferences are evolving and their usage habits around installment plans have become centered on purchasing price. Merchants report that consumers prefer to use general-purpose credit card installment plans for larger ticket items, while using legacy BNPL options for smaller purchases. 80% of consumers prefer to use legacy BNPL options for purchases under $100.
- The average purchase made with a general-purpose credit card plan in the past 12 months was$1,500, more than double the average purchase prices made with legacy BNPL plans at $685.
- The typical credit-card based split-payment purchase in the past year was divided into 18 monthly installments vs. just 8 months for BNPL-powered purchases.
- General-purpose credit card plans used for travel and leisure represent the largest typical purchase amount of any split-payment option at an average of $6,750.
- 57% of merchants report that general-purpose credit card installments were used to purchase home furnishings.

Overall, as consumer preferences continue to move towards more flexible payment solutions, merchants and acquirers will need to tailor their split-payment offering mix to meet shoppers' expectations. Improving their payment systems to allow for more credit-card based installments, as well as providing greater transparency on payment options earlier in the purchasing journey, will allow merchants to maximize sales and increase customer satisfaction.

Download a copy of the full report here.

Methodology

Divided, Not Conquered: Acquirer and Merchant Confusion Clouds Split-Payments Landscape, a collaboration between Splitit and PYMNTS Intelligence, draws on a census-balanced survey of 2,572 consumers conducted from Aug. 8, 2023, to Aug. 12, 2023, examining the use of

installment plans for common purchases. The sample was census-balanced with respect to the U.S. population, with 51% of respondents identifying as female and 34% holding a college degree. The average age was 47, and 39% annually earned more than $100,000.

It also draws on insights from an original survey of 50 acquirers conducted fromSeptember 1, 2023, to September 25, 2023, as well as 36 follow-up responses gathered from the original set of 50 acquirers between October.23, 2023 and November 6, 2023. Finally, this report is further grounded in a survey of 100 merchants conducted from September 5, 2023, to September 26, 2023, and a recontact survey of 50 firms conducted from December 7, 2023, to December 14, 2023. These surveys uncovered the underlying confusion among acquirers and merchants about installment plan options, highlighting the challenges split-payment providers face in a rapidly evolving retail landscape.

The report synthesizes the findings from all three surveys to examine the evolving preferences and expectations of consumers and providers of split-payment plans.

About Splitit
Splitit is a global payment solution provider that lets shoppers use the credit they've earned by breaking up purchases into monthly interest-free installments using their existing credit card. Splitit enables merchants to improve conversion rates and increase average

order value by giving customers an easy and fast way to pay for purchases over time without originating new credit. Splitit serves many of Internet Retailer's top 500 merchants and is accepted by more than 1,500 eCommerce merchants in over 30 countries and shoppers in over 100 countries.

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