



The Benefits of Installment Payments for Merchants



Installment Payments, also known as Buy Now, Pay Later (BNPL), are taking the retail world by storm. They allow millions of shoppers access to products they previously couldn't afford or the ability to buy better quality products formerly out of reach. Merchants who offer this payment service are also seeing robust financial rewards as shoppers gravitate towards the installment plans.

Benefits of BNPL for merchants

-  Guaranteed payment
-  Increased sales
-  Increased average order value (AOV)
-  Browser conversion
-  Reduced cart abandonment
-  Higher shopper lifetime value
-  Reduces returns
-  Greater exposure for their business

Millennial shoppers expect flexibility over how they pay for their purchases. [Kearney](#) discovered more than 60 percent of them have used installment payments as a purchasing option in the past two years and the trend is growing. This growth has likely accelerated recently due to increasing economic and job insecurity from the pandemic and global recession.

Choosing to offer an installment payment option satisfies both the shopper's expectations and is beneficial for the merchant too. Small to medium sized enterprises (SMEs), can see a variety of positive results from offering Splitit, ranging from increased sales to increased shopper satisfaction and greater exposure online.

1 No credit risk

As with any form of credit, opting for installment payments is not entirely without risks. Shoppers still need to make their monthly payments, and personal circumstances can change. However, unlike other forms of credit, the risk of a shopper defaulting on a payment is wholly taken by the BNPL supplier instead of the retailer.

2 Increased sales

'Sticker shock' is where a potential shopper does not complete a sale on discovering the price of a product or service is higher than they expected. The [Baymard Institute](#) discovered the price being too high and extra shipping costs were the most common reasons for shoppers to abandon their online carts before completing their purchase. Globally, e-commerce saw a staggering 69.6 percent cart abandonment rate in 2019.

Offering installment payments reduces this behavior by making a purchase less intimidating for the shopper. For example, buying an item for \$300, and then paying only \$50 a month for six months, with no interest, is far less of an emotional barrier for a shopper than spending the \$300 right away.

This is especially important now during the pandemic. Shoppers and merchants alike are starting to feel the pinch of the economic decline. Offering shoppers an easy way to pay off their purchases over time is good for the shopper and their budget, while also providing steady revenue streams for smaller businesses, that help keep them afloat.

3 Increase average order value

Not only do installment payments increase the number of sales a shopper might make by splitting payments into more manageable chunks, they are actually encouraged to increase the amount they spend on each purchase.

Scott Galloway, entrepreneur and professor of marketing at the New York University Stern School of Business, compiled data that found BNPL typically increases the average basket spend by up to [20-30 percent](#).

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4 Affordability

Not all shoppers choose to abandon their carts or their purchase because of price but, they still might not find a product easy to afford in one payment. This is especially true for Millennials and Gen-Zers who are being squeezed financially at both ends. Analysis from the think tank [New America reveals](#) these age groups are earning around 20 percent less than Baby Boomers at an equivalent age. This is in addition to having to pay significantly more for higher education, rent and child care.



In retail, this has the trickle down effect of making impulse purchases more difficult for these generations. This is despite research showing [82 percent of Millennials](#) are likely to buy an item the first time they see it if they like it enough. Impulse purchases contribute a significant percentage of a retailer's revenue. Marketing installment payments as an option to Millennials (or any shopper) makes them more willing and comfortable to make an impulse purchase. It also allows them the opportunity to purchase a higher quality product or invest in a sustainable item with a payment plan.

5 Browser conversion

Brick and mortar stores, especially in fashion, know shoppers might need additional time to make a purchase or try on their purchase. This delay can result in a shopper giving up on a purchase entirely. Retailers who have implemented installment payments as an option routinely find their sales increase around 12 percent because the browsers are converted to buyers.

6 Higher shopper lifetime value

As well as providing the right product at the right price, giving a positive purchasing experience is vital to creating a shopper who will keep coming back for future purchases. Offering installment payments is a value added service that improves a shopper's perception of their purchase. In turn, it increases the chance they will become a repeat shopper and thus the [lifetime value for the merchant](#).



7 Reduces returns

Online purchases for fashion is forecast to generate [\\$1003.5 billion by the end of 2025](#). However, finding something that fits and suits the shopper properly is problematic when they can't try clothes on in person. Online retailers have tried to combat this issue by offering more lenient returns policies.

The good news is offering installment payments appears to lower the potential for merchandise returns. With shoppers only seeing one monthly installment payment on their account statement versus one lump sum, it seems that shoppers are less inclined to return a purchase.



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8 Greater exposure for business

As shoppers become more aware of installment payments they are starting to research purchases by going directly to an installment payments supplier's website. There the shoppers can find a directory listing the supplier's retail partners offering installment payments. This greater exposure for the business has been proven to significantly boost sales to retailer platforms each month. The shopper can easily find out which merchant is offering the installment plan and go directly to the merchant's site.

For more information on how you can get started,
talk with a Splitit representative today!

Get Started