



Understanding the Benefits of Installment Payments for Merchants



With a global economy reeling from the impact of COVID-19, businesses are having to adapt and pivot like never before.

Whether you own a physical store, are strictly e-commerce, or a combination of both, this new need for flexibility is paramount. This also includes how your customer's pay for their purchase. Giving customers choices, such as when they make a payment and over what period of time, offers a multitude of benefits.

Simply put, installment payments are when you allow your shopper to pay for a purchase over a designated time period. This allows your customer to pay over time — and possibly without interest. Additionally, it gives your customer the ability to budget and perhaps allow them to afford an item they might not otherwise have access to. This is also referred to as ["Buy Now, Pay Later,"](#) or BNPL for short.

Benefits of offering installment payments are not only for the customer, but also offers numerous advantages for the business. Let's look closely at the multiple business benefits ready to be realized when your company offers installment plans for your shoppers.

We will cover how installment payments offer:

-  Reduced cart abandonment
-  Increased conversion rate
-  Increased Average Order Value (AOV)
-  Increased sales and revenue
-  Responding to consumer demand for installment payments
-  Payment and repayment flexibility for shoppers
-  Increased positive customer experience

1 How Installment Payments Reduce Cart Abandonment

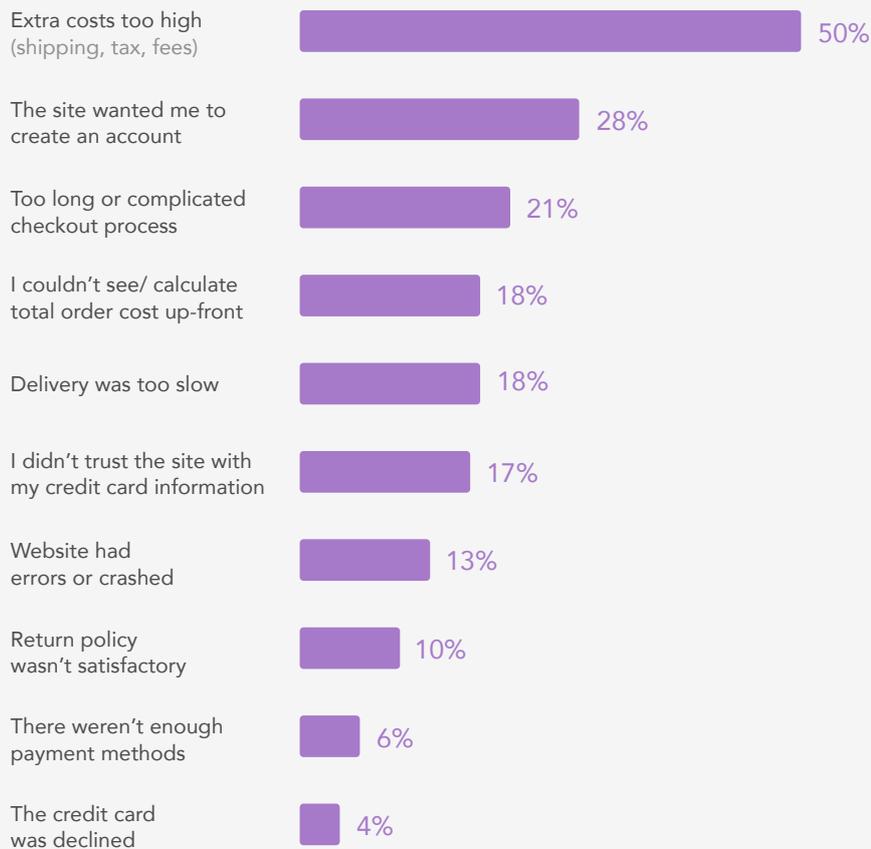
Cart abandonment is when your shopper adds an item to their virtual shopping cart, but fails to complete the purchase. Although cart abandonment rates are high globally — [currently sitting around 88% on average through March 2020](#) — there are real strategies you can use to decrease your cart abandonment rate.

If you sell products through a website, then you know how frustrating [cart abandonment](#) can be. Not only do you miss out on potential sales, but as the merchant you likely don't know what is the cause of the cart abandonment. There could be a plethora of reasons — ranging from the shopper losing their internet connection to them finding a better price elsewhere.

Fortunately, more data is pouring in over why shoppers abandon their cart. One recent study conducted by Baymont Institute found [50% of shoppers abandon their carts due to costs being too high](#). Another 21% abandoned the cart because the checkout process was too long or complicated.

Reasons for Abandonments During Checkout

Have you abandoned any online purchase during the checkout process in the past 3 months? If so, for what reason?



4,560 Responses | US Adults in 2020

Answers normalized without the 'I was just browsing' option.

baymard.com/research

Adding an installment payment option for your shoppers helps address two of the more dominant reasons for cart abandonment. Installment payment options can ease the burden if the product or shipping cost is too high for your shopper. Additionally, if the installment plan is easy to implement during your checkout process, then it can result in a more favorable checkout experience. The results of this are clearly seen: merchants who use a BNPL such as Splitit, see an [11% decrease in cart abandonment](#).

2 Installment Payments and Increased Conversion Rates

Cart conversion is a must-know metric for anyone with an e-commerce presence. Describing cart conversion is straightforward — it's simply the number of potential shoppers visiting your website versus how many purchase after browsing. However, achieving a higher conversion rate isn't as clear cut.

**The formula for calculating
your cart conversion rate**

 Number of conversions (verified purchases)	=	Cart Conversion
 The total number of visitors to your site		

For instance, if you have 1,000 unique visitors to your site each day, and 20 of them make a purchase, then your conversion rate is 2%. In 2019, conversion rates [globally were measured at 2.58%](#), with a downward trend over the last few years. Decreased cart conversion can be experienced for a variety of reasons, including increased merchant competition, surprise shipping costs, and frustrating website performance.

Conversions are different from cart abandonment. Whereas cart abandonment refers to a shopper who has an item in cart, cart conversion is the act of converting the browsing into a completed purchase. With so many competing factors for your shopper's attention, getting a customer from browser to a complete checkout is not always an easy task.

This means as a business owner you have to find ways to keep your shopper's attention and [maximize your conversion rate](#). An increased rate means increased sales on your site, so it is in your business' best interest to find ways to encourage the completed purchase.

There are [several tactics](#) for tackling an increased conversion rate. From optimizing your website for mobile, to offering targeted promotions and discounts and thorough product reviews. Offering installment payments is another proven strategy to push your conversion rate to its maximum potential.

At Splitit, merchants who offer the convenience of installment payments in addition to multiple payment methods, see an increase in conversion rates. This in turn leads to an increase in sales for the merchant - some merchants experience a [double-digit increase in revenue](#) once they add the BNPL option. The installment payments allow the shopper the ability to purchase an item while stretching it over a time period they choose. When you integrate the payment installment option to the checkout process, it increases the likelihood a shopper will complete their purchase.

3 Increased Average Order Value (AOV)

Another critical metric for a business owner is [Average Order Value](#), or AOV. It's the average amount spent on each order. It's important to note it's the average spent per order, and not necessarily per shopper. To calculate your AOV, divide your sales revenue by the number of sales. The higher your AOV, the higher your sales.

The formula for calculating your AOV

$$\frac{\text{Sales revenue}}{\text{Number of sales}} = \text{AOV}$$

Increased sales has a number of positive impacts on your business. Not only is the additional revenue important, but so is the profit, and the ability to keep your supply chain flowing. AOV also has a direct impact on how you price your product. It's in your business' best interest to increase the AOV as much as possible.

Increasing AOV is dependent on a [number of factors](#). While not all tactics should be used at once (so you can isolate which method has the biggest impact).

You can increase AOV by:

-  Improving the customer experience on your site
-  Upselling products
-  Cross-selling products
-  Clear, easy-to-read product pages
-  Adding meaningful product reviews
-  Shipping or product discounts
-  Re-targeting customers through email or ads
-  Optimizing your site for desktop, tablet, and mobile transactions
-  Offering installment payment options to the checkout process

When merchants offer a buy now, pay later installment payment option such as Splitit, the AOV has the potential to increase. At Splitit, merchants who have used the service have seen an increase in [AOV as high as 20%](#). Imagine if your AOV increased from \$100 to \$120 per transaction, the impact it could have on your bottom line could be enormous.

4

Increased Sales and Revenue

Undoubtedly, sales and revenue are the top metrics for any business. Whether a company has an online only presence, or also has a brick and mortar location, sales and revenue are key in determining the company success.

Taking a shopper on a journey from awareness to purchase is the subject of many marketing professionals. While there are many routes to increase sales, there are several key factors influencing sales and revenue in today's competitive marketplace.

Factors such as an [omnichannel experience](#), social selling, strong call-to-action (CTA) are only a small portion of strategies a company can use to increase sales. But one proven approach to influencing sales positively is to offer a solid installment payment option for the shopper.

Perhaps the best place to see how installment payments directly impact sales is with a real example. Splitit's merchant Gemperles, an online store specializing in the sale of pearls, partnered with Splitit to offer a BNPL solution for their shoppers. Since implementing Splitit, Gemperles has seen an overall increase of [20% in sales volume](#). When Gemperles targeted a specific promotion by partnering with Splitit, the merchant realized a 60% increase in sales attributed to the targeted promotion.

The [average increase in sales](#) for merchants who incorporate Splitit's installment payment is currently at 12%. Other BNPL providers also report strong increases in sales for their merchants, ranging from 10%-15%.

5 Satisfying the Consumer Demand for Installment Payments

As COVID-19 has brought economic turmoil globally, the need for flexible payment options for shoppers continues to increase. In order to satisfy this consumer demand, there is increased pressure on businesses to offer a BNPL.

In the United States alone, over [one-third of consumers](#) are using a BNPL option, either in-store or through online checkout. Prior to 2015, the BNPL was only used by 7.42% of consumers. The demand is particularly strong for those who fall in the 18-54 year old bracket.

The lure of interest-free, flexible payments is [predicted to continue to rise](#), as the world forges ahead to adjust to an uncertain economy during a pandemic. As a business, you can address this need so clearly presented by consumers, by offering a reliable installment payment option for your shopper.

6 Increased Flexibility for Shoppers

2020 has presented several tough economic conditions for consumers to deal with. Although credit card debt has [declined 2% in the United States](#), personal incomes have also [dropped by 4.2%](#) this year, along with a 4.7% decrease in disposable income. This has expanded the need to offer increased payment flexibility to shoppers.



A BNPL can provide the flexibility and give the shopper the payment terms that best fit their budget. If you can provide the customer an opportunity to pay over time with 0% interest, then both the shopper and merchant will benefit from this adaptability.

Finally, an installment payment increases the flexibility with both the payment and the repayment portion of the transaction. First, with the payment option of using existing credit to initiate the transaction. Second, with the repayment schedule that follows. The shopper will be able to choose the dates and number of months for the payments, giving them even more control over their future payments.

7 Improved Customer Experience

Customer loyalty isn't guaranteed in today's world. There are many businesses competing for your shopper's attention. But as overwhelming as the prospect of customer experience and retention might seem, it's important to a business to focus on this important metric. Studies show [a 5% increase in retention](#) can equate to a 95% increase in profits.

[Customer retention](#) is improved by offering an outstanding customer experience, whether you have a physical storefront or operate solely online. [80% of consumers](#) say they are willing to pay more for a product if they know they will receive excellent customer service.

A positive customer experience is influenced by several factors. For e-commerce owners, it's responsiveness to inquiries made by customers through social channels or chat bots. It means having a responsive and optimized website where a customer can easily find the right information. Loyalty programs are also a big part of the overall experience, with consumers [showing preference to merchants](#) who offer loyalty and point programs.

Another aspect to the improved customer experience is offering flexible payment terms. When the consumer has more choices — and the payment choices are easy to use — then it contributes to a more positive experience.

Conclusion

Offering an installment payment option for your shoppers not only serves as a benefit to them, but offers a wide range of benefits for a business. Benefits ranging from decreased cart abandonment and increased cart conversions, to overall improved customer satisfaction. As you look for ways to adapt in these unparalleled times, integrating a Buy Now, Pay Later option for your shoppers could be the answer you're looking for to set your business apart.

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

[Click Here](#)