

INSTALLMENT PLANS BECOMING A KEY PART OF SHOPPER'S TOOLKIT

September 2023 Report



PYMNTS
INTELLIGENCE



INSTALLMENT PLANS BECOMING A KEY PART OF SHOPPER'S TOOLKIT

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Installment Plans Becoming a Key Part of Shopper's Toolkit was produced in collaboration with Splitit, and PYMNTS Intelligence is grateful for the company's support and insight. PYMNTS Intelligence retains full editorial control over the following findings, methodology and data analysis.

WHAT'S AT STAKE

In the highly competitive retail space, installment plans have become an important payment method that many consumers prefer. This latest study by PYMNTS Intelligence reveals that 60% of shoppers used an installment plan to buy consumer products in the last year, with younger age groups exhibiting even higher usage rates. Consumers widely point to the ability to manage their spending and credit as key reasons for paying this way, reflecting the flexibility of installment plans as a valuable part of the shopper's toolkit.

While installment plan use has become relatively widespread, key consumer segments are especially likely to choose this payment method. For example, millennials are much more likely to opt for an installment plan than baby boomers and seniors and favor general-purpose credit card installment plans over other types. We also find that consumers across all income brackets use these plans — a finding that defies long-held perceptions on the relationship between financial means and use of credit. Obstacles to broader adoption remain, however. Consumer indifference and friction in current installment plan offerings highlight room for growth and innovation in this space.

60%

Share of consumers who **used an installment plan** to make purchases in the last year

“

The robust adoption of installment plans across generations reflects an accelerating shift in how consumers think about spending and credit.

”

These are just some of the findings detailed in *Installment Plans Becoming a Key Part of Shopper's Toolkit*, a PYMNTS Intelligence and Splitit collaboration. This edition examines consumers' use of installment plans for common purchases and draws insights from a survey of 2,572 consumers conducted from August 8 to August 12.

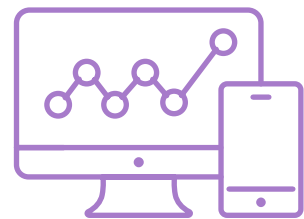
This is what we learned.

KEY FINDINGS

01

TOP USERS

The majority of consumers, especially bridge millennials and millennials, used an installment plan to make a purchase in the last 12 months.



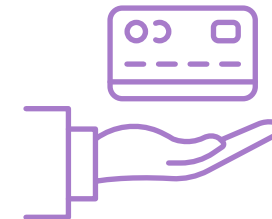
73%

Share of bridge millennials who used installment plans over the past year, topping all other age groups

02

HIGH ROLLERS

High-income earners favor installment plans, challenging assumptions about credit use and income.



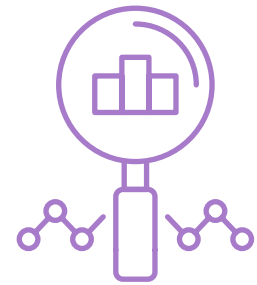
64%

Portion of consumers earning \$100,000 or more annually who used installment plans, exceeding the shares of consumers in lower income brackets.

03

ADOPTION DRIVERS

Most consumers leverage installment plans to help them manage their spending better.



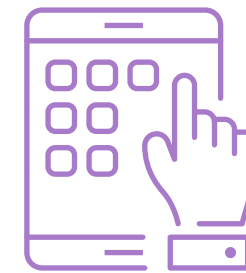
74%

Share of installment plan users who leveraged these tools to better manage their spending

04

TIMING MATTERS

The majority of consumers prefer installment plans that are presented before the checkout process.



66%

Portion of consumers who want merchants to showcase their installment plan options before reaching checkout

PYMNTS IN DEPTH

Installment plans have gained popularity across generations, suggesting they will disrupt traditional purchasing norms long-term and reshape consumer financial behavior.

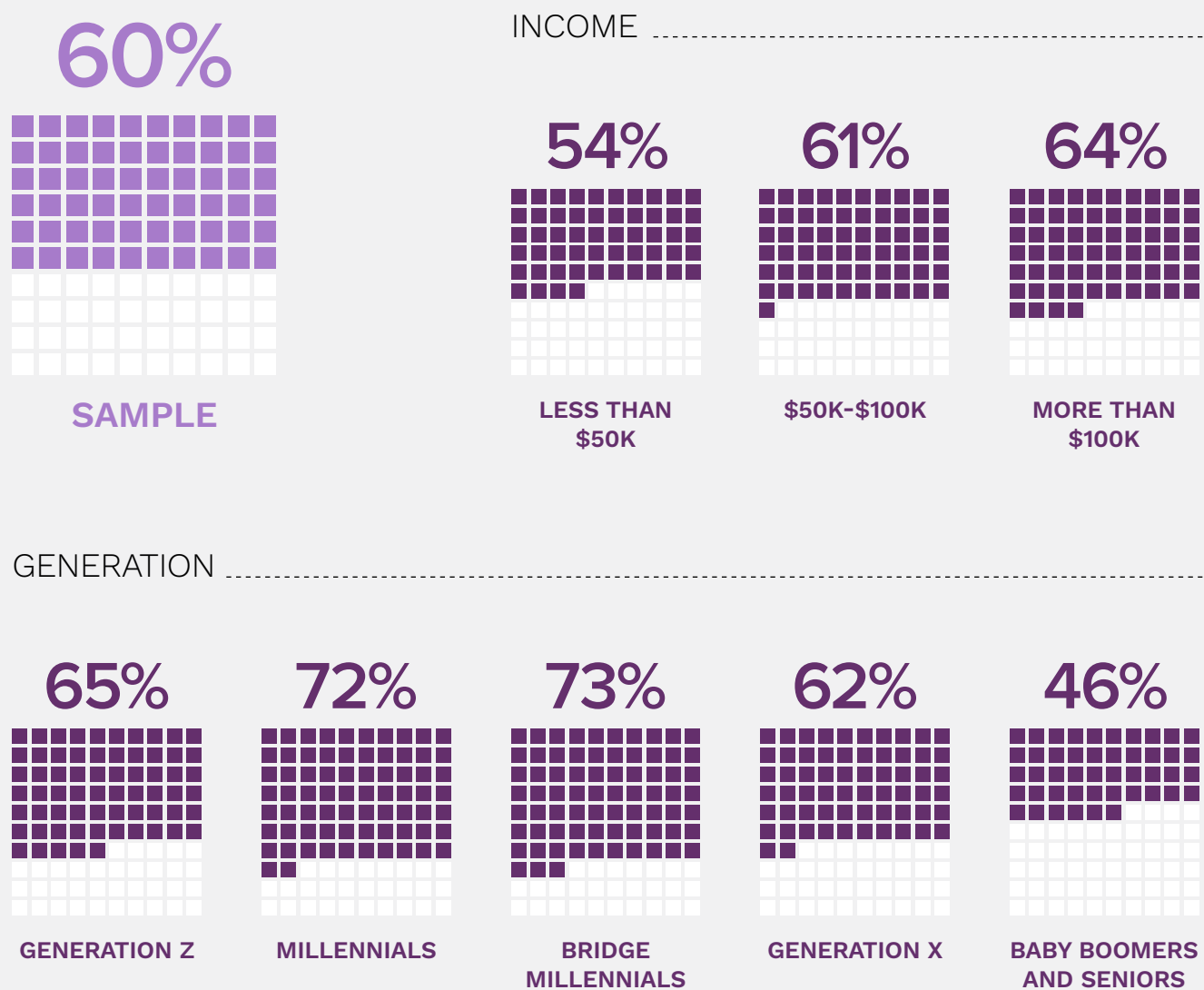
Millennials and high-income earners are driving the widespread adoption of installment plans for common purchases.

PYMNTS Intelligence's latest research shows that 6 in 10 consumers used installment plans to pay for consumer products in the last 12 months. Bridge millennials and millennials lead, with 73% and 72%, respectively, making purchases using this method in the past year. Sixty-five percent of Generation Z also used them, as did 62% of Generation X. Even 46% of traditionally installment-averse baby boomers and seniors opted for an installment plan to make purchases. The robust adoption of installment plans across generations reveals that how consumers think about spending and credit has shifted.

FIGURE 1:

Installment payment plan usage

Share of consumers who have used any type of installment payment plan in the past 12 months



Source: PYMNTS Intelligence
 Installment Plans Becoming a Key Part of Shopper's Toolkit, September 2023
 N = 2,859: Whole sample, fielded Aug. 8, 2023 – Aug. 12, 2023

High-income shoppers are more likely to use installment plans than their lower-income peers. Among high-income consumers earning \$100,000 or more annually, 64% used an installment plan, while 61% of middle-income shoppers earning \$50,000 to \$100,000 did the same. However, the share of low-income consumers earning less than \$50,000 who chose to pay by installment was measurably lower, at 54%. We note that the eager use of plans among affluent consumers disrupts misguided assumptions that installment options are primarily used by those with more limited financial means.

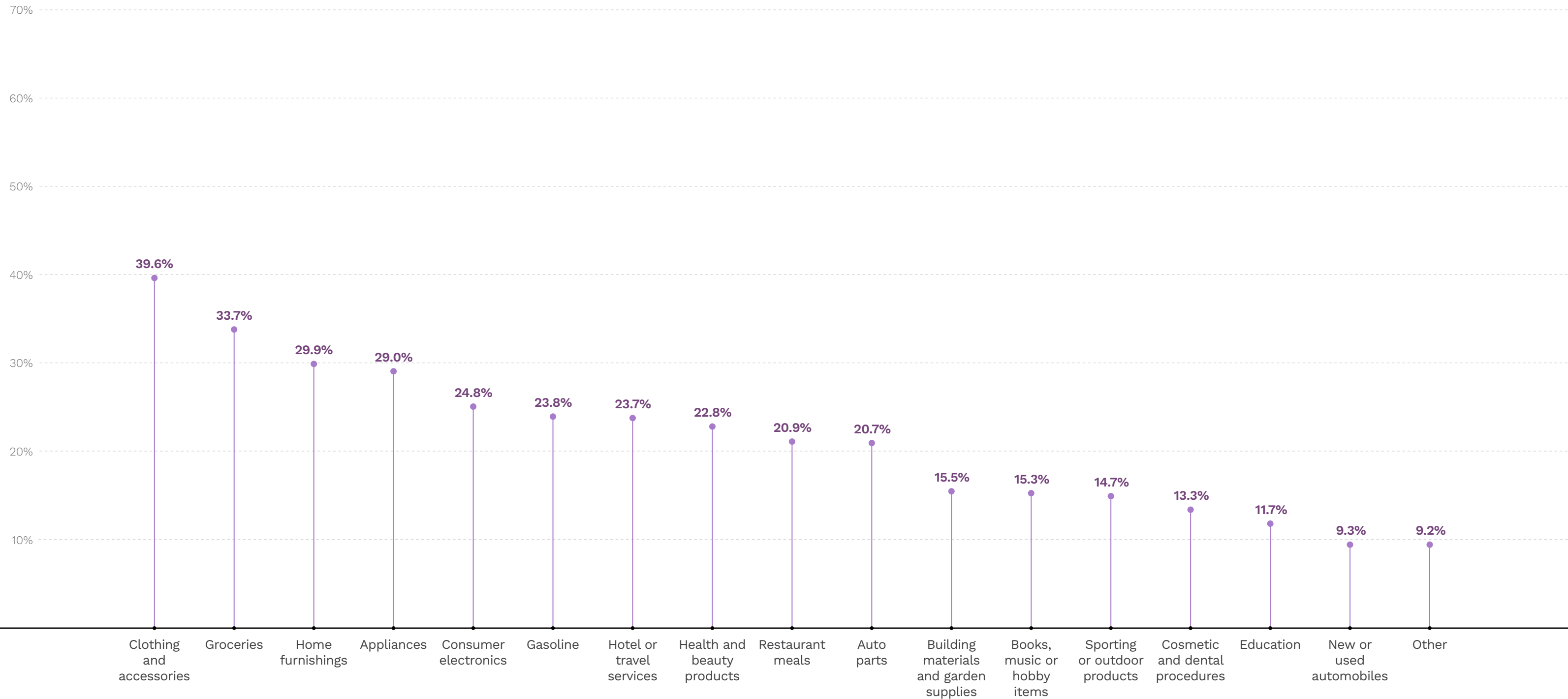
Consumers who pay by installment do so for a wide range of everyday purchases. Clothing and accessories represent the most popular category, with 40% of these consumers using an installment plan to finalize a purchase of these items in the last year. Other top categories included groceries (34%), home furnishings (30%) and consumer electronics (25%). Notably, 36% of high-income earners who have used installment plans did so to buy home furnishings, whereas only 29% and 23% of those in the middle and lower income groups did the same.

FIGURE 2:

What consumers purchase with installment plans

Share of consumers who have used an installment plan to pay for a given category of product

Source: PYMNTS Intelligence
 Installment Plans Becoming a Key Part of Shopper's Toolkit, September 2023
 N = 1,659: Respondents who used installment plans in the last year,
 fielded Aug. 8, 2023 – Aug. 12, 2023



General-purpose credit card installment plans are the new go-to method for installment purchases, with millennials and high-income earners leading the charge.

Installment plan options have multiplied in recent years. These include general-purpose plans from credit card issuers, those offered by merchant or store cards and buy now, pay later (BNPL). Forty-five percent of consumers chose general-purpose credit card installment plans in the last 12 months, outpacing the 37% who used merchant or store card alternatives and the 37% who opted for BNPL.

The consumers using general-purpose credit card installment plans are most likely to be millennials and have higher incomes. Thirty-five percent of shoppers who opted for this type of installment plan in the last year were millennials, compared to 14% of Gen Z. Meanwhile, 42% of general-purpose card installment plan users were high-income shoppers — far more than the 30% who were middle-income and 28% who were low-income.

FIGURE 3:

Installment plan use

Share of consumers who have used select types of installment payment plans in the last 12 months

	BNPL	Merchant or store card installment plan	General purpose credit card installment plan	Any type of installment plan
SAMPLE	37.2%	37.0%	44.9%	59.9%

Demographic composition of the users of select installment plans

GENERATION

• Generation Z	18.1%	12.7%	13.5%	14.8%
• Millennials	38.9%	36.6%	35.2%	33.8%
• Bridge millennials	24.0%	24.8%	23.6%	22.8%
• Generation X	24.8%	27.9%	26.1%	26.5%
• Baby boomers and seniors	18.2%	22.8%	25.2%	25.0%

INCOME

• Less than \$50K	28.7%	26.5%	28.2%	29.1%
• \$50K-\$100K	29.7%	28.0%	29.6%	30.1%
• More than \$100K	41.6%	45.5%	42.2%	40.7%

Source: PYMNTS Intelligence
 Installment Plans Becoming a Key Part of Shopper's Toolkit, September 2023
 N = 1,238: Respondents who have used credit card installment plans;
 N = 1,000: Respondents who have used merchant or store card installment plans;
 N = 833: Respondents who have used BNPL;
 fielded Aug. 8, 2023 – Aug. 12, 2023

Financial flexibility and convenience are the key drivers behind installment plan usage.

A variety of factors influenced decisions to use installment plans, but a few stand out. We find that 74% of installment plan users utilized a plan to better manage spending — the most cited reason spanning all plan types. Those who use general-purpose credit card installment plans were most likely to name this, at 67%, edging out the 63% for merchant or store cards and 56% for BNPL. Convenience was the second-most cited factor, at 57%, with 44% of BNPL users and 41% of users of each of the other two plan types agreeing convenience was a driver.

The data also reveals other motivations steering consumer decisions on installment plans. For example, 41% of consumers who used a plan of any type did so because there was little to no additional cost. Even trust itself was a significant determinant, with 37% placing their faith — and finances — with providers they deemed reputable. The opportunity to earn rewards proved motivating to 33%, with the 27%

FIGURE 4:

Why consumers choose installment plans

Share of consumers citing reasons to use an installment plan in the last 12 months

	BNPL	Merchant or store card installment plan	General purpose credit card installment plan	Any type of installment plan
• Better manage spending	55.5%	62.5%	66.9%	73.6%
• Convenience	41.5%	41.3%	41.4%	56.7%
• Little or no cost for using it	30.7%	31.4%	26.7%	40.7%
• Trust provider	29.5%	28.4%	26.7%	36.6%
• Improve credit score	18.7%	22.9%	26.8%	33.0%
• Rewards	N/A	21.9%	27.4%	32.8%
• Does not damage credit score	21.1%	17.1%	19.4%	28.8%
• No other affordable option	22.6%	17.0%	20.7%	23.8%
• No need for an additional loan	N/A	13.5%	13.3%	20.8%
• No need for new application	N/A	11.8%	10.8%	14.5%

Source: PYMNTS Intelligence
 Installment Plans Becoming a Key Part of Shopper's Toolkit, September 2023
 N = 1,238: Respondents who have used credit card installment plans;
 N = 1,000: Respondents who have used merchant or store card installment plans;
 N = 833: Respondents who have used BNPL;
 fielded Aug. 8, 2023 – Aug. 12, 2023

who used a general-purpose credit card installment plan leading this pack. These findings suggest that while financial flexibility is clearly crucial, other priorities also motivate consumers.

Consumers are increasingly leveraging installment plans to strengthen credit scores.

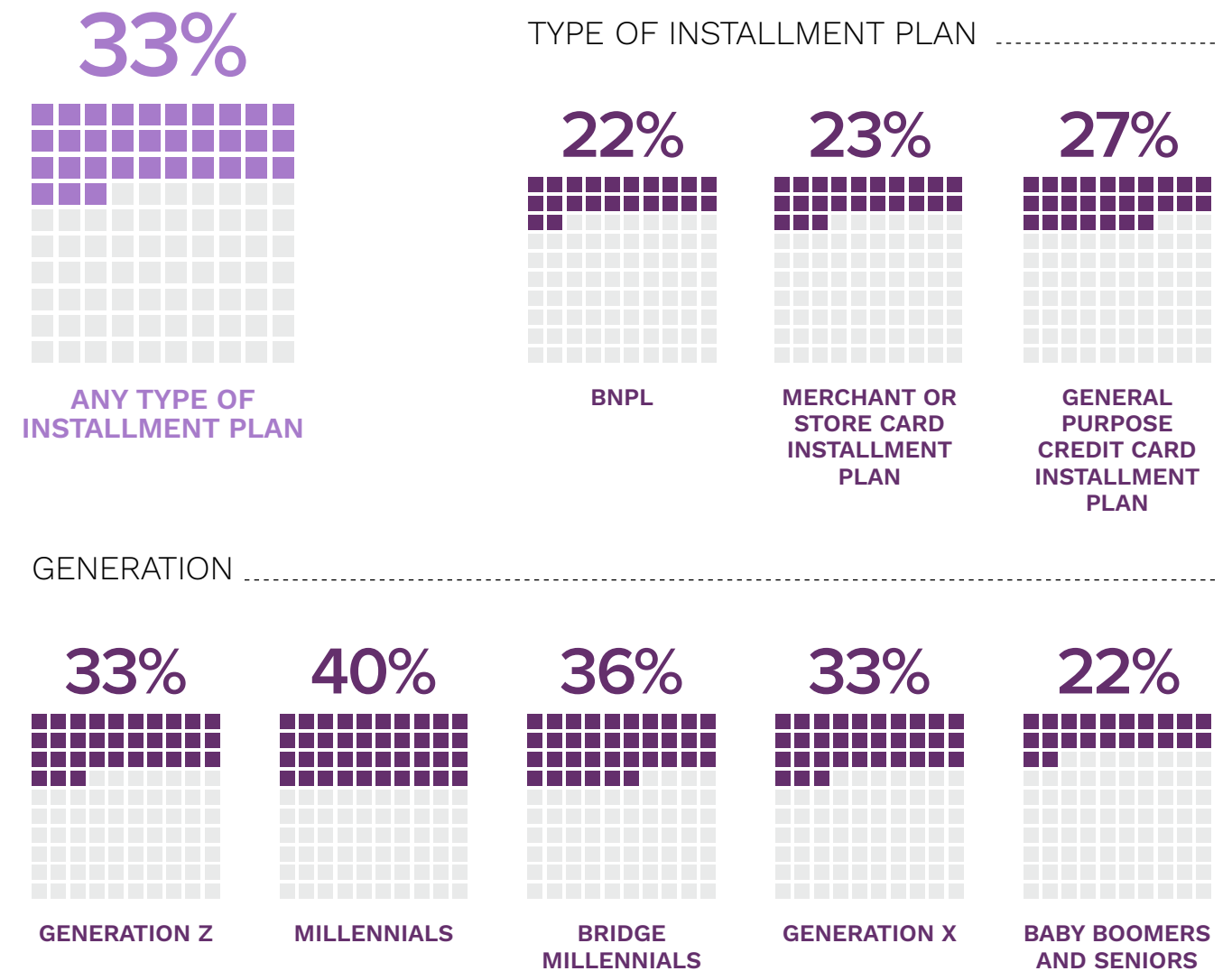
The allure of using installment plans transcends mere financial convenience for consumers. Our study finds that 33% of shoppers who use a plan of any type do so to improve their credit score, although this varies by generation. More specifically, 40% of millennials and 36% of bridge millennials choose installment plans because doing so helps boost their credit scores. In contrast, just 33% of Gen Z are driven to use a plan for this reason.

40%
Share of millennials who choose installment plans to improve their credit scores

FIGURE 5:

Credit score improvement

Share of consumers who cite the improvement of their credit score as a reason they used an installment plan in the last 12 months

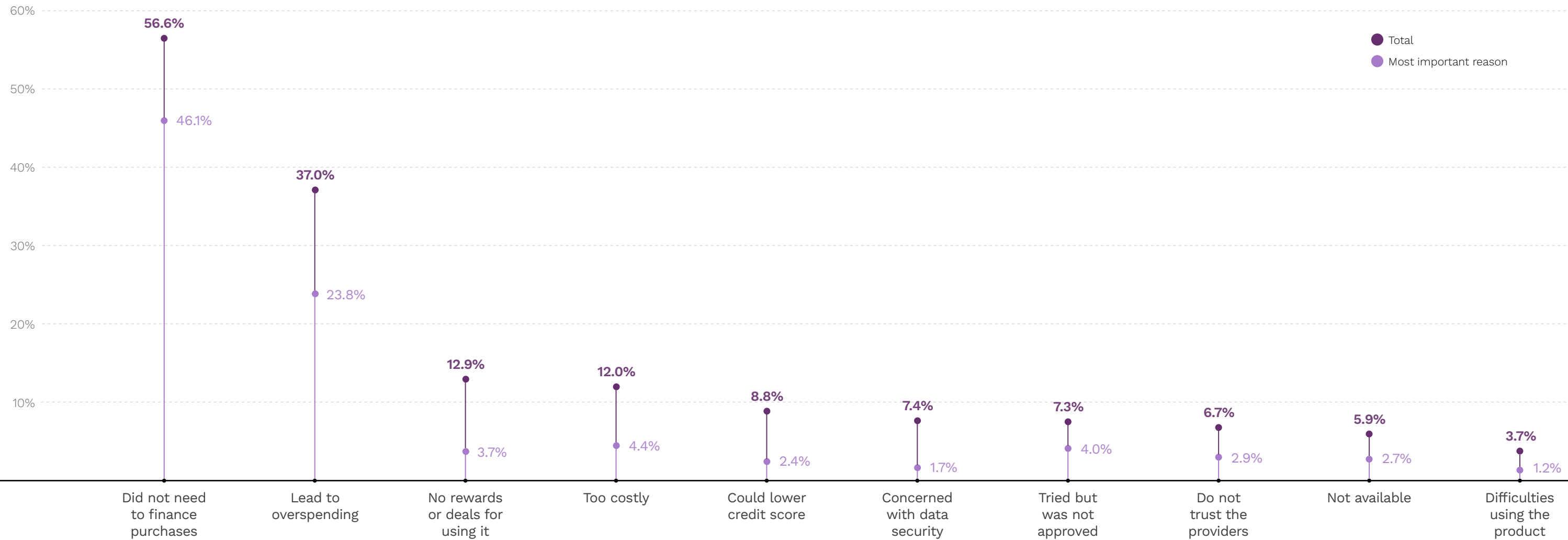


Source: PYMNTS Intelligence
 Installment Plans Becoming a Key Part of Shopper's Toolkit, September 2023
 N = 1,238: Respondents who have used credit card installment plans;
 N = 1,000: Respondents who have used merchant or store card installment plans;
 N = 833: Respondents who have used BNPL; fielded Aug. 8, 2023 – Aug. 12, 2023

FIGURE 6:

Why consumers pass on installment plans

Share of consumers citing reasons to not use any installment plan products over the last 12 months



Source: PYMNTS Intelligence
 Installment Plans Becoming a Key Part of Shopper's Toolkit,
 September 2023
 N = 1,200: Respondents who have not used
 split payment products in the last 12 months,
 fielded Aug. 8, 2023 – Aug. 12, 2023

However, some consumers view spending flexibility and access to credit in a different light. A leading concern holding consumers back from using a plan is the fear of overspending or existing debt obligations. Among consumers who have not used any type of installment plan in the last 12 months, 37% cited concerns over potentially overspending, with 24% identifying this as the most important reason to steer clear.

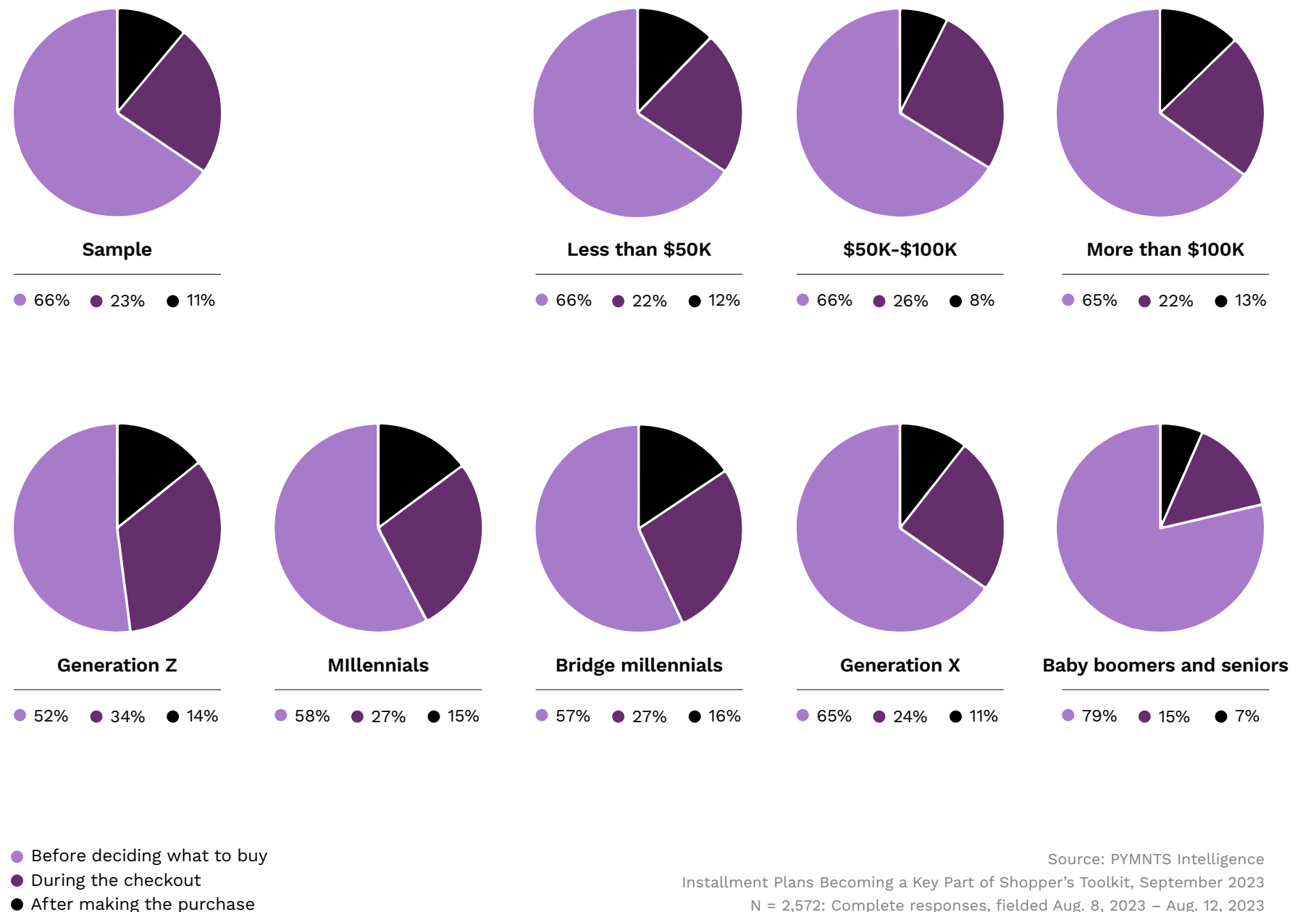
User experience deeply impacts how consumers think about using installment plans, so their preferences are critical.

Where and when retailers present installment plan options significantly impacts the customer purchase journey. Sixty-six percent of consumers said they want merchants to introduce installment plan options before the checkout process even begins. Just 23% favored reviewing plan options during checkout, and only 11% preferred doing so after making the purchase.

FIGURE 7:

When consumers want to be offered a plan

Share of consumers citing when they prefer to be offered an installment plan that uses an existing limit on a bank-issued credit card



Source: PYMNTS Intelligence
 Installment Plans Becoming a Key Part of Shopper's Toolkit, September 2023
 N = 2,572: Complete responses, fielded Aug. 8, 2023 – Aug. 12, 2023

29%

Share of consumers who would be **likely to consider a higher-priced item** if they could use an installment plan linked to an existing bank-issued credit card

Customer loyalty is much more fungible than merchants might widely expect. More specifically, if merchants do not offer an installment plan option that allows customers to leverage existing limits on their bank-issued credit cards, they risk alienating the 22% of consumers who are very or extremely likely to migrate to competitors that offer this convenience. The shoppers most likely to abandon ship are also the groups that tend to be particularly lucrative — bridge millennials (31%) and millennials (33%).

We note that offering the option to utilize existing limits on consumers' bank-issued credit cards can impact their purchasing behaviors in other ways as well. For instance, 29% of consumers believe they would be very or extremely likely to consider making higher-priced purchases, with 41% of bridge millennials and millennials leading this pack. Similarly, 28% hinted at the prospect of filling their carts with more items.

FIGURE 8:

How consumers respond to installment plan availability

Share of consumers very or extremely likely to take select actions if a merchant offered them an installment plan

	Switching to a merchant that offers installment plans	Purchasing higher-priced items or services	Purchasing more items
SAMPLE	22.0%	29.4%	27.7%
GENERATION			
• Generation Z	23.3%	39.4%	35.2%
• Millennials	33.2%	40.6%	40.9%
• Bridge millennials	31.4%	41.1%	37.8%
• Generation X	22.3%	30.1%	26.8%
• Baby boomers and seniors	10.9%	14.4%	13.2%
INCOME			
• Less than \$50K	18.7%	24.7%	25.2%
• \$50K-\$100K	20.1%	27.7%	26.1%
• More than \$100K	26.0%	34.6%	30.9%

Source: PYMNTS Intelligence
 Installment Plans Becoming a Key Part of Shopper's Toolkit, September 2023
 N = 2,572: Complete responses, fielded Aug. 8, 2023 – Aug. 12, 2023

DATA FOCUS

Gen Z and millennials are embracing installment plans for varied, generation-specific needs.



Gen Z harnesses installment plans for everyday essentials, diverging sharply from the millennial tendency to make more substantial, one-off purchases.

A comparative look at Gen Z and millennial consumers, two key age groups that increased their use of installment plans in the last year, reveals significant differences in preferences. Our data shows that 49% of Gen Z shoppers used BNPL to make a purchase during this period, 45% opted for general-purpose credit card installments and 34% gravitated toward merchant or store cards. Gen Z consumers tend to use plans for everyday items, with 48% of installment plan users from this age group purchasing clothing and accessories, 45% purchasing groceries and 34% purchasing health and beauty products — all higher than for any other age bracket. A significant finding is that 29% resorted to installment plans to facilitate purchases they could not otherwise afford.

FIGURE 9:

How Gen Z and millennial shoppers use installment plans

Share of Gen Z and millennial shoppers using select types of installment plans

	 GENERATION Z	 MILLENNIALS
USED ANY TYPE OF INSTALLMENT PLAN	64.8%	72.1%
USED GENERAL-PURPOSE CREDIT CARD INSTALLMENT PLAN	44.6%	56.4%
USED MERCHANT OR STORE CARD INSTALLMENT PLAN	34.4%	48.3%
USED BNPL	49.2%	51.6%

Share of installment plan users who utilize the plans for select purchases and reasons

COMMON PURCHASES

Most likely to use installment plans for everyday purchases: groceries, 45% ; clothing 48% ; health and beauty products, 34%	Most likely to use installment plans to make occasional purchases, such as products associated with home ownership: furniture, 36% ; appliances, 36%
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REASONS TO USE INSTALLMENT PLANS

Most likely to say they use installment plans because it was the only way to afford the purchases (29%)	Split payments to accumulate rewards (36%) and improve their credit score (40%)
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In contrast, millennials are more likely than other age group to use installment plans for one-off purchases and disproportionately favor general-purpose credit card installment plans more than other age groups. Fifty-six percent of millennial consumers used a general purpose credit card installment plan to make a purchase during this period, 52% used BNPL and 48% used a merchant or store card installment plan. Purchasing preferences diverged as well, with millennials more than others using these plans to make purchases related to homeownership, such as furniture and appliances, at 36% of installment plan users from this age group. Thirty-one percent used a plan to book hotels or travel — a substantially higher share than that of other age groups. While Gen Z sees installment plans as gateways to financing, millennials harness them to boost credit scores (40%) and maximize rewards (36%).

56%
Share of millennials who used a general purpose credit card installment plan in the last year

Source: PYMNTS Intelligence

Installment Plans Becoming a Key Part of Shopper's Toolkit, September 2023

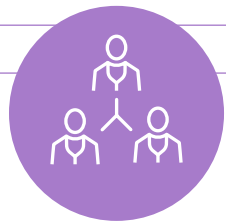
N = 2,572: Complete responses, fielded Aug. 8, 2023 – Aug. 12, 2023

ACTIONABLE INSIGHTS



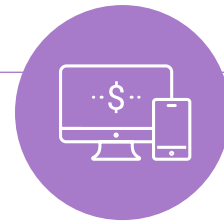
01

The majority of consumers at least occasionally choose installment plans. Merchants should urgently assess and adapt their current offerings. Particularly, the widespread use of installment plans by high-income earners signals a lucrative opportunity. By pivoting now, merchants can harness this trend, broaden their market reach and capitalize on evolving consumer behavior.



02

Consumers in different age and income groups gravitate more toward certain types of installment plans. Implementing the right installment plan offerings is critical. Whether with credit card issuers or FinTechs that enable seamless installment plan integration, merchants must sign up. With millennials and high-income groups favoring general-purpose credit card installment plans, partnerships that enable this offering are essential for tapping into these profitable segments.



03

Consumer motivations transcend the desire for financial flexibility. Trust, minimal costs and other incentives are more important than ever. By fine-tuning installment offerings to these priorities, merchants set the stage for stronger brand credibility and sustained customer loyalty.



04

Timing and positioning matter. An installment plan's introduction point in the shopping journey has real potential to influence purchasing decisions. By integrating these offerings at the shopping journey's inception, merchants stand to amplify customer satisfaction. Early engagement empowers consumers to evaluate their shopping decisions in terms of both value and volume while ensuring a seamless overall purchase experience.

INSTALLMENT PLANS BECOMING A KEY PART OF SHOPPER'S TOOLKIT

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METHODOLOGY

Installment Plans Becoming a Key Part of Shopper's Toolkit is based on a survey of 2,572 consumers and was fielded from August 8 to August 12. The report examines consumers' use of various types of installment plans. Our 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% earned more than \$100,000 annually.

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ABOUT

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 **splitit**

Splitit powers the next generation of BNPL through its merchant-branded installments-as-a-service platform. Splitit is solving the challenges businesses face with legacy BNPL while unlocking BNPL at the point of sale for card networks, issuers and acquirers all through a single network API.

Splitit's white-label platform mitigates issues with legacy BNPL like the declining conversion funnel, clutter at the checkout and a lack of control of the merchant's customer experience while putting the power back in the hands of merchants to nurture and retain customers, drive conversion and increase average order value. Easy to adopt, integrate and operate, Splitit delivers an uncluttered, simplified experience embedded into their existing purchase flow.

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