

How to attract customers with interest free credit

A retailer's guide to offering credit with confidence



DivideBuy



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Hello!

If you're reading this, you're interested in understanding the benefits of offering interest free credit to your customers. Welcome, you're in the right place!

We are the UK's fastest-growing LendTech provider, having topped Deloitte's Fast 50 in 2020.

Founded in 2015, we better connect retailers to their online shoppers, offering quick credit decisions, reduce basket abandonment, increase average order value, and increase sales. Offering credit improves the overall lending experience with longer terms than other interest free credit providers.

You probably already know this, but the way your customers want to pay for goods and services is changing. The eCommerce landscape is booming. Reports show that at the height of the Covid-19 pandemic, 10 years' growth in online sales took place in just 90 days. At a time when your customers are increasingly shopping online, payment options have never mattered more – because as activity grows, so too does competition.

That's because offering POS finance solutions at the checkout gives retailers a real competitive advantage.

In fact, when following our best practice guidelines, our retailers have seen:



34% increase
in average basket value



43% increase
in 'big ticket' item sales



70% increase
sales conversions overall

We hope that this guide will help you understand the benefits of POS finance.



About point of sale finance

Point of sale (POS) finance refers to any time a customer makes a purchase with an agreement to pay the total sum back over a period of time, as opposed to the full amount upfront.

POS finance can refer to more than one type of credit solution. With so many on the market, it's important that retailers are up to date with the latest credit options available. For example, did you know that you can partner with multiple providers to give your customers a wealth of options at the checkout?

The long and short of it is, depending on the credit provider, payment plans can run from between two to 36 months, with some providers adding interest on for the customer, and others providing an interest free solution.

We offer a completely interest free credit solution. We also offer longer terms than our interest free competitors, running from between two to 12 months, and we give retailers flexibility when it comes to the products and amounts they want to offer.

Interest free credit can benefit your business and your customers. Point of sale finance is easy to implement and easy to use.



Consumer confidence in credit

Increasing numbers of consumers are choosing to enjoy the ease of eCommerce, especially in the light of the coronavirus pandemic. These days, they can make an order online from the safety and ease of their own homes within seconds and have their goods delivered on the same day.

As a result, consumers are getting used to the convenience of eCommerce. In fact, our research has shown that consumers are more inclined to use POS finance to pay for a purchase when the checkout process is quick and convenient.

Essentially, they want what they want as quickly as possible – but rather than this making life more difficult for retailers, it gives them plenty of opportunities to win more sales by providing multiple payment methods at the checkout to fulfil those needs.

So, to help retailers decide which POS finance solution is best for their business, we dug a little deeper into what consumers are looking for when they're choosing this method of payment.

“We were seeing a 20% credit sales conversion rate prior to DivideBuy, since switching we’ve seen an average credit conversion rate of 70% and have tripled our credit turnover.”

Michael Szlas
CEO
OTTY Sleep

Credit is ticking consumers' boxes

We recently conducted a consumer pulse test to ask them why they're opting for POS finance over other payment methods at the checkout.

The answer that came up time and time again is that the customer can get what they want immediately. In fact, not only do consumers get what they want when they want it, but POS finance gives them the opportunity to take greater control over their finances.

In fact, 19% of those we surveyed said they felt more comfortable with committing to a big

purchase when they had the option to break it into smaller, more manageable chunks. Of our recipients, 20% value that POS finance comes with no hidden fees or charges, while 18% use the method when it's completely interest free.

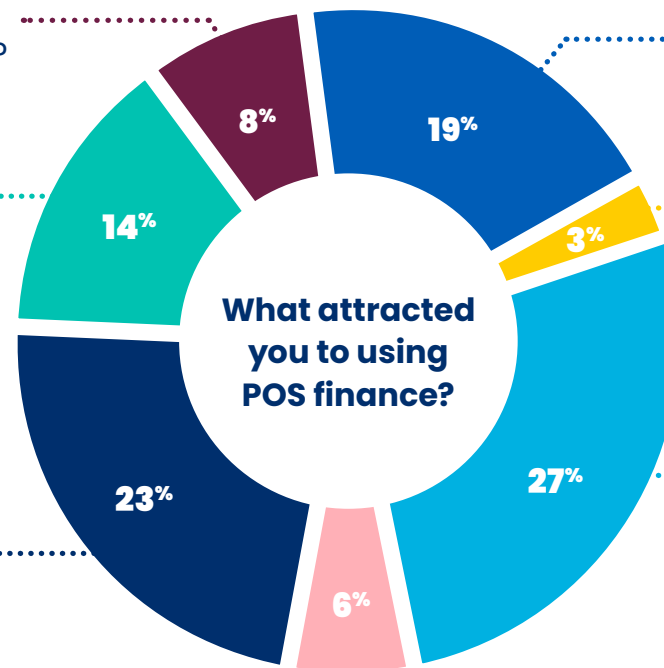
For 14% of consumers, it's the full visibility over when payments are due and what is still owed that's most important. In a nutshell, customers are looking to divide the cost of their purchase into more manageable amounts with immediacy, while remaining fully informed on the status of their payment plan.

It was quick and convenient, so why not?

It took away the guilt of buying a big purchase

It eased financial burden

Other



It felt more comfortable breaking a payment into chunks than paying in one go

It allows me to purchase more products for less money

It meant I could get the product I wanted faster than having to save and pay in one go

Seizing the opportunity

Customers have told us that they are inclined to spend more and invest in big-ticket items when POS finance is an option. Let's explore what this could mean for you.

Boost your baskets

Did you know, customers have reported doubling their basket value when a credit lending solution is available to them at the checkout? In fact, offering an interest free credit option can make all the difference between a customer committing to a sale and abandoning their basket.

TOP TIP

Use this as an opportunity to promote bundles to encourage more consumers to increase their average basket value.

Turn browsers into buyers

Want to see an increase in sales conversions? OTTY Sleep was experiencing low credit sales conversion rates, so it turned to DivideBuy and the results were almost immediate. Within a week, credit sales conversions had jumped to 70% and credit turnover was tripled.

TOP TIP

Opt to work with an interest free credit provider with a high consumer acceptance rate, whilst lending responsibly.

No financial risk, but all the rewards

Choice isn't just for the customer, it's for you too. It's possible to work with POS finance providers who operate as both the technology provider and the credit provider (like us!), who control each part of the lending process.

TOP TIP

Choose a POS finance provider that supports everyone involved in the transaction process by automatically assessing applications and providing post sale customer account management support.

Give your customers a reason to return

Why should customers continue to choose your eCommerce store over another? Because you provide that added convenience they're looking for. With a finance solution, they have visibility and control by choosing a payment term to suit them.

TOP TIP

Consider the extras your customers are looking for and then tick them off like a checklist. Delivery and returns? Check. Interest free credit? Check.

DivideBuy myth busters

DivideBuy instalments allows customers to spread the cost in up to twelve equal payments. Payment is automatically collected, the first instalment is collected at the point of purchase.

DivideBuy claims to be interest free. Is there a catch?

No. We don't charge interest. Customers can spread the cost into equal monthly interest free payments. DivideBuy is interest free, as long as payments are made on time

How will consumers know if they are eligible?

We have developed a soft search option that determines customer eligibility by performing a soft credit check. A soft search does not affect the customer credit score and it is not visible to other lenders.

Will the customer be charged interest or fees?

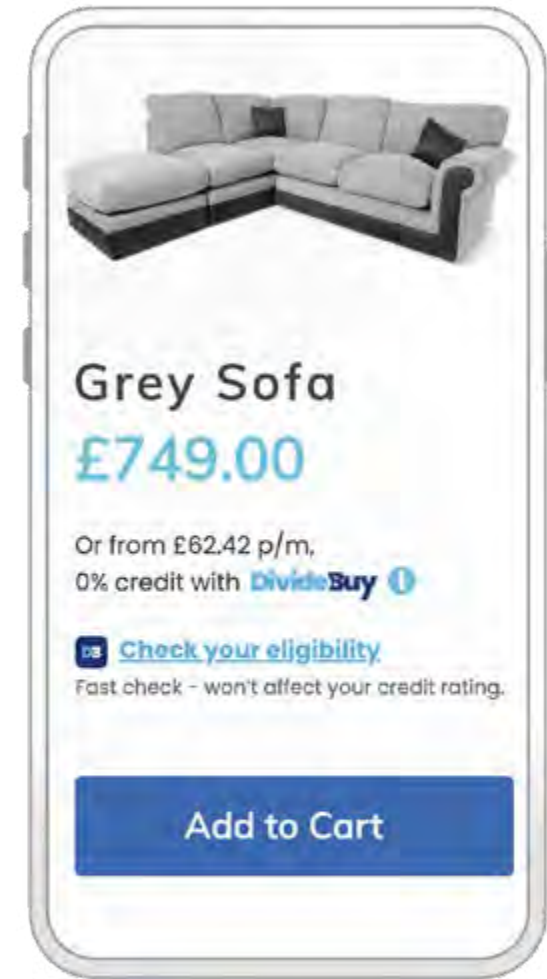
No. There is no associated APR or hidden charges. We do reserve the right to add late payment fees to the customer's account in the event of any missed payments. This is all explained in the credit agreement at the checkout.

Can the customer pay off their purchase early?

We have developed our solution so that the customer can overpay and pay off their agreement early.

Can a consumer buy as much as they'd like?

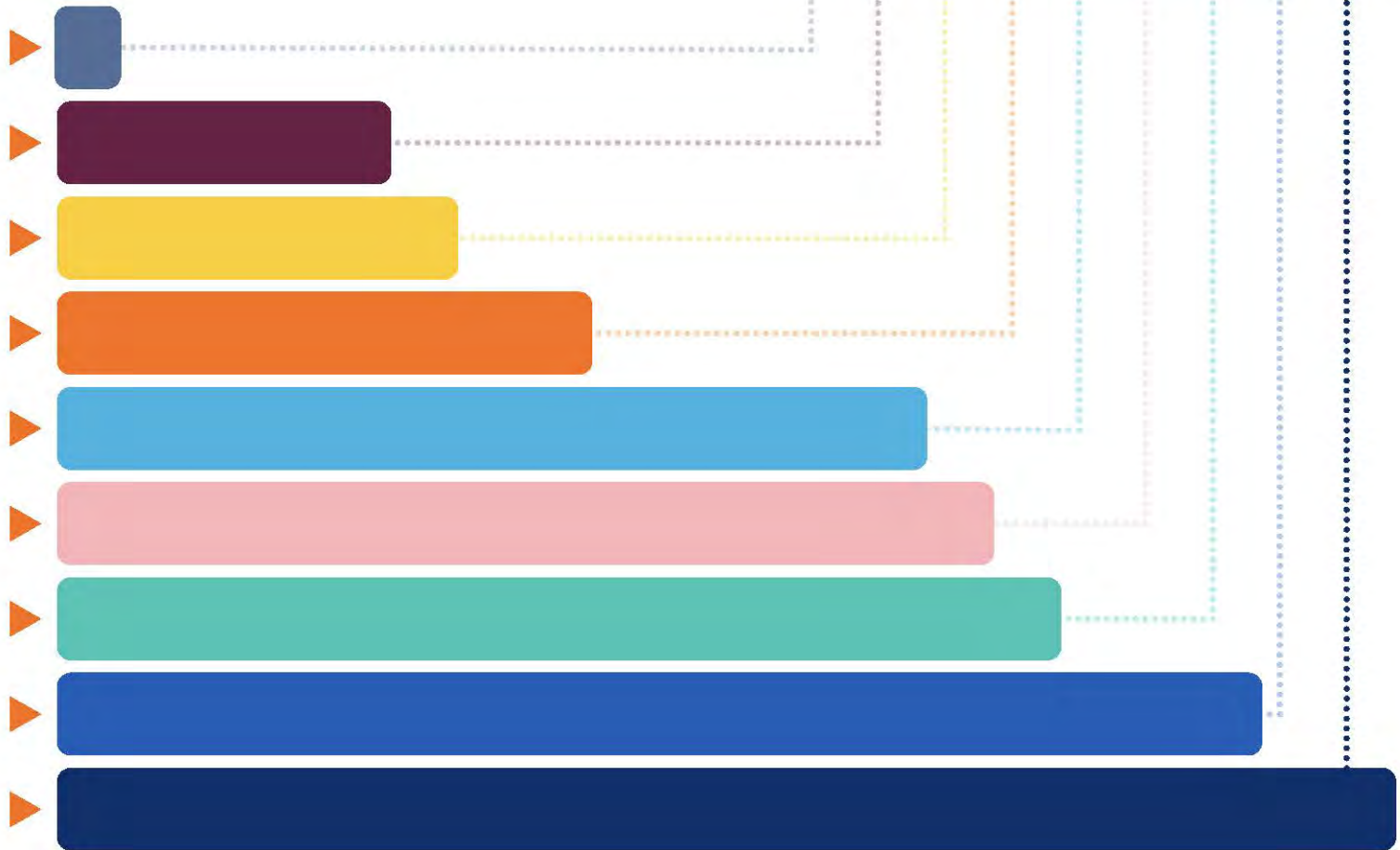
Our unique credit decision engine is designed to offer the consumer as much credit as they are able to afford. The amount a consumer can buy depends on their personal circumstances.



When using POS finance, what factors are most important to you?

20%

No hidden fees or charges



Retailer References

Mattress company, Simba Sleep, implemented our credit lending option with the goal of reducing the rate of checkout abandonment and improving the customer journey. This was achieved through the development of bespoke software for its eCommerce platform that could track the customer journey, while providing a high quality and intuitive user experience.

After a year in partnership, Simba has tracked a noticeable improvement on both a product and a service level. Between May and December 2019, orders increased by 25% against its previous credit lending provider.

“ DivideBuy has a proven success with conversions, so we were convinced that its offering could solve the checkout problems we were experiencing and lead to a better ROI. ”

Jon Moore
Head of Ecommerce
Simba



What would convince your shoppers to use POS finance?

Would you use POS finance if the process was easy to understand and had clear payment deadlines?

15% of customers said **yes**



What if it was guaranteed to have no negative impact on your credit score?

21% of customers said **yes**



Would you use it if it required minimal effort on your part?

15% of customers said **yes**



What about if it had a quick and convenient checkout process?

18% of customers said **yes**



If you had full visibility over your repayment plan?

22% of customers said **yes**



The customer journey is easy



Customer add items to their basket



Customer clicks DivideBuy at checkout



Customer provides some personal details and gets a real-time decision



Customer pays the first instalment



Retailer send goods

Implementation is easy

**Step
1**

Our experts will walk you through a platform demo to explore how it would work for your retail.



**Step
2**

A rate will be agreed upon depending on your requirements.



**Step
3**

The contract is signed.



**Step
4**

The quick and simple onboarding process begins.



Our experts can have the solution implemented into all platforms, including Shopify, WooCommerce and Magento within days. As for the customer, once their application is approved, the first payment is processed, and the sale is complete.

You will then receive your payment in full minus the commission rate upon successful delivery. Since the financial relationship exists directly between the customer and us, all that is left is for you to deliver the goods.

Time to find out more?

We'll be happy to take you through a 20-minute online demonstration to assess your goals and discuss how we can help you reach them, run through the credit journey your customers will take, and show you how we'll integrate with your eCommerce website.

You can find out more online follow the links below for more:

▶ www.dividebuy.co.uk/book-a-demo

▶ www.dividebuy.co.uk/retailers

or contact us directly:

By phone:

▶ **0330 123 5997**

By email:

▶ retailpartners@dividebuy.co.uk



Methodology

This guide was developed using the insights of interest free credit software specialist and lender, DivideBuy, its partners, and most importantly of all, consumers.

Hosted via Google Forms, DivideBuy reached out on social media for responses, as well as directly sharing through the team's networks.

Our target audience for the survey, which was open from Monday 15th June 2020 to 25th June 2020, was anyone 13+ living in the UK.

Each respondent was asked to complete four of the five sections in the survey, determined by their experience with interest free credit.

These sections were:

- Personal situation: Age, gender, shopping preference and living situation
- Asked to classify the type of consumer responding
- POS finance: The deciding question for section three
- Asked to inform if they have ever used instalment-based credit before

- If yes: A set of five questions asking the consumer about the products they purchased and the reason for doing so
- If no: A set of two questions asking why the participant had avoided interest free credit and what may convince them to try it out in the future
- Feedback: A final question where the respondent could leave any opinions they had about interest free credit, either about their own understanding of it or their experience when using it

Responses were then compiled and those from outside the UK were disregarded due to lack of relevancy to the current focus market.

Results were subsequently collated based on answers from section two, and again by answers to section one. This was done to achieve the most accurate sentiment around interest free credit, as income, shopping habits and living situation can greatly affect a customer's opinion and use of interest free credit.

The results from this survey have been used throughout the guide as statistics and visuals graphics.