Turbocharge your retail sales by offering third-party financing

Increase revenue with pay-over-time options for more credit types

snap finance

Turn browsers into buyers with alternative financing options

Customers with imperfect credit want the same access to goods and services that other consumers enjoy. They're at your store or on your website and ready to shop. They just don't have all the funds to pay upfront.

And traditional financing may be out of reach for those with less-than-perfect credit. Offering alternative third-party financing can help more customers get what they need now, while delivering new market opportunities, increased sales, and a competitive edge in the marketplace for your business.

Highlights

1. **Understand the value of third-party financing**
2. **Unlock the benefits of alternative financing**
3. **Promote financing options to close the sale**

1

Understand the value of third-party financing

Are you considering offering more inclusive financing options to your customers but not sure where to begin? Getting familiar with the basics is the first step to increasing sales and making it easier for your customers get what they need.

Let's start with the basics.

What is third-party financing?

Third-party financing is when a financing provider either loans a customer the amount they need to cover their purchase or pays for it on their behalf. The customer then makes payments over time to that provider until what they owe has been paid in full or the terms of their agreement have been satisfied.

Primary financing covers traditional loans, credit cards, and other financing options that rely mainly on customers' credit scores to determine whether they're approved or not. Retailers may work with banks or other providers to offer in-store financing programs for customers who qualify for primary financing. Interest rates are usually lower for those with good to excellent credit, who are referred to as prime borrowers.[1]

Those with poor credit or no credit (subprime borrowers) often have difficulty qualifying for primary financing, including traditional loans and credit cards. New research from Snap Finance found that among consumers with a credit score below 670, 76% have been turned down for financing.[2]

Almost half (42%) of U.S. consumers say their credit scores prevented them from obtaining a financial product in the past year.[3]

That's where **secondary or tertiary alternative financing** comes in. Shoppers who don't qualify for financing from a primary lender may be approved by a secondary or tertiary lender under different terms. These alternative third-party financing providers often consider more than credit scores from major credit bureaus when making approval decisions, which may increase customer approval rates.

Alternative financing options

Lease-to-own financing is a type of alternative financing. With lease-to-own financing, a third-party provider purchases the merchandise and leases it to your customer. The provider typically pays you once the merchandise is delivered and the customer makes more manageable payments over time until they've completed the terms of their lease. At that point, the customer obtains full ownership.

Installment loans are another alternative financing option that allows customers to make payments over time for certain products and services through a third-party provider. Some providers offer financing options for people with credit issues.

Providing alternative financing can help your customers with no credit or poor credit get what they need while potentially increasing your average order value and opening new revenue streams for your business.

How does third-party financing work?

These steps may vary depending on the provider you use, but this is typically how it works.

1. A customer is ready to check out and wants to use a financing option.

2. They apply, online or in-store, using their smartphone or an in-store computer.

3. If they're approved, the provider informs them of their maximum amount along with checkout instructions.

4. The customer completes their transaction with an in-store salesperson and takes home the financed merchandise.

5. The customer makes regular payments over time to the financing provider until their account is paid in full.

2

Unlock the benefits of alternative financing

Cost is often the first consideration when shoppers are looking for a big-ticket item. Will the cost of what they need or want fit in their budget? If they need to pay over time, what are their options?

Offering alternative financing can help address those cost considerations. And with the growing need for flexibility and convenience, offering more ways to pay can help boost your sales and strengthen your brand in a competitive market.

If you're looking to grow your business, offering alternative financing can yield important results with minimal effort and cost.

Here are five important benefits of alternative financing for your business.

1. Increase sales and average invoice amount

Financing often turns browsers into buyers. When you offer multiple ways to pay over time, including options for people with less-than-perfect credit, you can close more sales.

And with financing, shoppers can get more expensive or better quality items – or simply buy more of what they want or need, which can increase your average order value.

58% of credit-challenged consumers spent more on a recent purchase because financing was available. Among those who spent more, 79% increased their purchase by $100 or more.[2]

2. Reach more customers

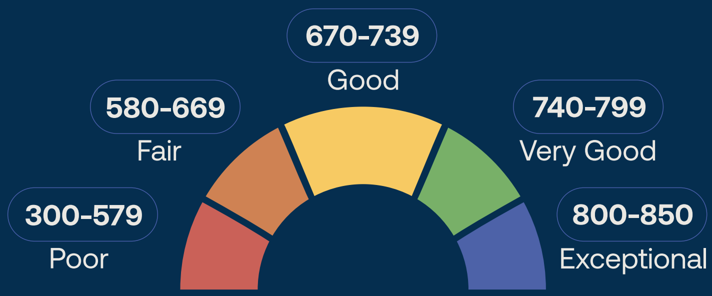
Consumers with lower credit scores make up a significant portion of the population – and your potential customer base. These consumers may go without a big-ticket purchase or choose to shop brands that aren't their first choice. Offering alternative financing can help you may attract customers who need more accessible options to pay over time.

44% of those with lower credit scores would go to a different store if financing options weren't available.[2]

Inclusivity in sales is about removing financial barriers to make your offerings more accessible to more people. Tailor your financing approaches to suit the needs of customers with varying financial backgrounds to help ensure that fewer shoppers are turned away because of their credit history.

35% of consumers have a FICO score below 670[4]

FICO score ranges



Source: myFICO[5]

3. Increase repeat business

If customers are satisfied with their financing experience at your store, they'll likely be more inclined to shop with you again, creating an opportunity for repeat sales.

Customer satisfaction can cement customer loyalty which can also translate into new customers through word-of-mouth marketing. When shoppers with credit issues feel they can trust your business to help them get what they need, when they need it, they're more likely to share their great experience with those around them, bringing new customers to your door.

4. Get paid quickly

Businesses are paid by most financing companies when the customer receives their merchandise. The customer then makes regular payments to the financing provider until the account is paid in full. Financing providers assume the hassle and financial risk of a customer defaulting.

Your customer is able to get what they need and your business benefits from the upfront payment and immediate cash flow.

5. Be more competitive

Offering something extra can help you stand out from the crowd in today's competitive market. Alternative financing can be a differentiator for your business.

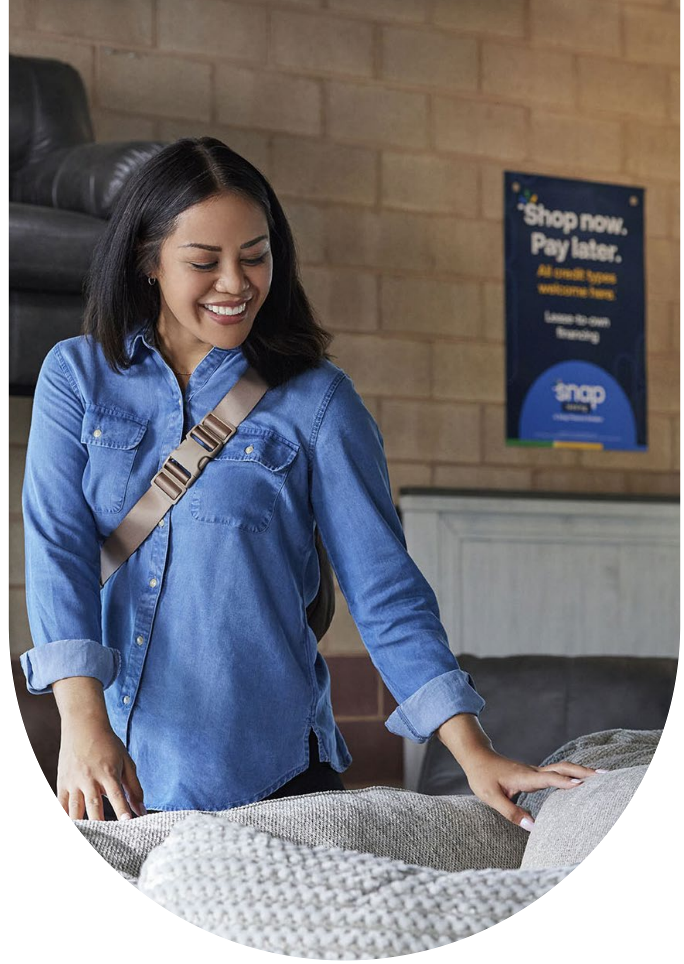
By providing convenient payment options for more customers, including those with credit issues, you're showing customers that you understand their needs and are willing to accommodate them. That can give you an edge over competitors who don't offer alternative financing options and help you build brand loyalty.

3

Promote financing options to close the sale

Money is an uncomfortable topic for most people, and it's a particularly challenging conversation for people who wonder if they'll be turned down for financing. If your customers are reluctant to begin a conversation about alternative financing, they may never know options exist.

Don't let consumers' hesitancy – or yours – create lost sales opportunities. Here are four ways to let shoppers know you offer multiple ways to pay.



1. Add financing messaging throughout your store and website

Point-of-purchase (POP) materials are essential in promoting financing options. Display POP materials, such as signage, posters, brochures, and banners, inside and outside your store so shoppers know you offer financing that works for them. Include messaging about your financing solutions on your website, including at checkout.

Make it clear that alternative financing is available at your store. Use a variety of attention-grabbing displays to alert customers at various touchpoints, from driving by your store or shopping on your site to browsing or waiting in line. Most financing providers provide access to POP materials so you can choose the displays that work best for your business.

2. Enlist a knowledgeable sales staff

In-store advertising and a knowledgeable sales force play an important role in informing customers about financing options. Ensure your sales team is well-versed in available financing options and can easily walk customers through the application process for each.

14% of those with lower credit scores trust retail associates to recommend the best financing for their situation.[2]

3. Encourage customers to apply early in the sales process

When shoppers are in the market for a big-ticket item, it can be helpful for them to know as soon as possible that financing is available. For example, simply saying, “This will cost $1,500 today or we can see if you can pay over time by applying for one of our financing options,” can get the ball rolling.

If they’re approved earlier in the shopping process, customers may be able to select the merchandise they want and need, rather than settling for less or walking away empty-handed.

4. Build awareness through marketing

Marketing campaigns are an easy, effective way to promote the financing options available at your store. A multichannel approach, including your website and social media, can help you reach more customers, generate interest in alternative financing options, and drive more traffic.

Embrace alternative financing to increase sales and transform your business

Alternative financing options can be more than an extra your business offers. Their availability is crucial for meeting the diverse needs of your customers and helping your business stay competitive.

By embracing third-party financing, especially for people with credit issues, your business can extend a lifeline to those who might otherwise be excluded from accessing your products and services. The result can be important benefits for your business, helping you foster long-term relationships, build trust, and position your brand as one that supports its customers' financial well-being.

Offering alternative financing goes beyond just another payment option – it can be a strategic move toward increased sales. From enhancing your average order value to expanding your customer base, the benefits of offering alternative financing can truly transform how you engage with your market.

About Snap Finance

Snap Finance harnesses the power of data to empower consumers of all credit types to get what they need. Launched in 2012, Snap's technology brings together more than a decade of data, machine learning, and non-traditional risk variables to create a proprietary decisioning platform that looks at each customer through a more holistic, human lens. Snap's flexible lease-to-own and loan solutions are changing the face and pace of consumer retail finance.

For more information, visit Snap Finance.

Snap-branded product offering includes retail installment contracts, bank installment loans, and lease-to-own financing. Talk with your local Snap sales representative for more details on which product qualifies at your store location. For more detailed information, please visit snapfinance.com/legal/financing-options

Sources

[1] Louis DeNicola, "What Does Subprime Mean?" Experian, July 9, 2022.

[2] "Tapping in to an Untapped Market." Proprietary research conducted through Accelerant Research's Agora panel with 1,034 U.S. consumers. Snap Finance, July 2023.

[3] Maggie Davis, "42% of Americans Were Denied a Financial Product in the Past Year Because of Their Credit Score." Lending Tree, August 8, 2022.

[4] "670 Credit Score: Is it Good or Bad?" Experian.

[5] "What Is a Credit Score." myFICO.