Boost sales with lease-to-own financing

Empower more customers to get what they need now

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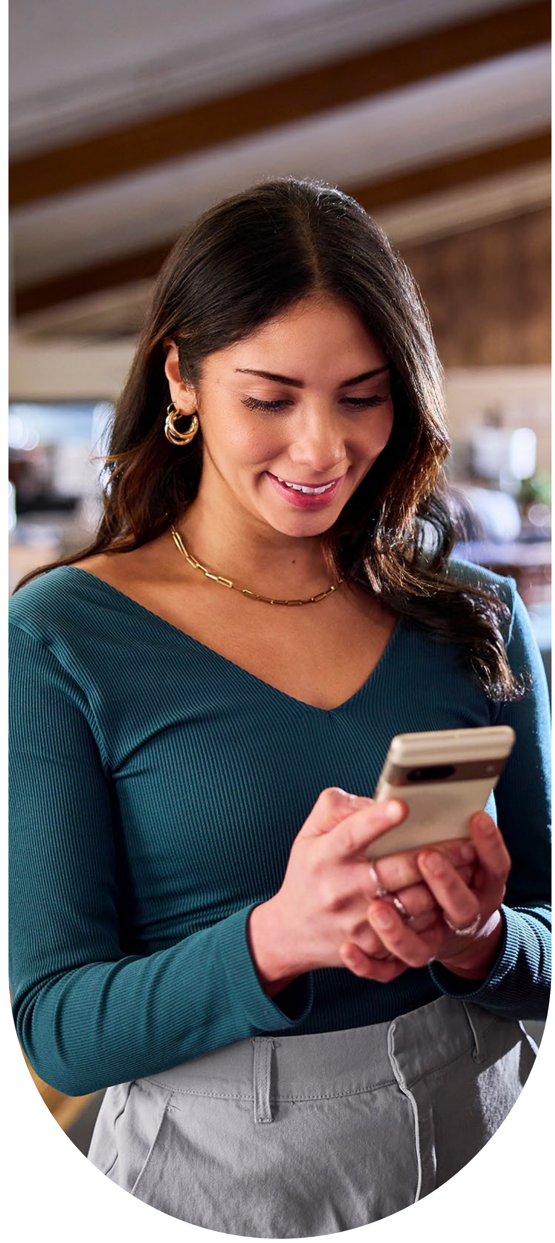
Harness the power of lease-to-own financing

Lease-to-own financing provides payment options to those who are building or rebuilding their credit history – a relatively untapped customer base. Not only can lease-to-own financing be a lifeline to those with credit issues, it can also have a significant impact on your ability to increase your reach, build customer loyalty, and increase sales.

Learn three essential ways offering lease-to-own financing helps you reach new customers and increase loyalty.



Highlights

1. **Lease-to-own financing helps reach consumers with credit challenges**
2. **People with little credit history often need more inclusive payment options**
3. **Lease-to-own financing reduces the upfront cost of big-ticket items**

Understanding lease-to-own financing

When the cost of an item is higher than your customers' budgets allow, consumer financing can help them get what they need now. But what if they don't qualify for traditional financing?

74% of consumers with credit scores below 670 would have difficulty paying for a major expense[1]

Lease-to-own financing, which is typically more accessible to those who have credit issues, can help bridge the gap. And that can mean more sales, increased average order value, and new revenue streams for your business.

What is lease-to-own financing?

A lease-to-own option is not credit or a loan. 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 manageable payments over time until they've completed the terms of their lease. At that point, the customer obtains full ownership.

A business doesn't take on the risk or hassles that could come from a customer defaulting. The lease agreement is between the consumer and the financing provider.

Offering lease-to-own financing helps you reach more customers and turn browsers into loyal customers in three important ways.

Ready to learn more? Let's get started.

1

Lease-to-own financing helps reach consumers with credit challenges

What lenders consider subprime varies, but a FICO® score below 670 can be a roadblock to securing traditional financing.[2] According to Experian, 35% of consumers have a FICO score below 670.[3]

Having a subprime credit score is considered a relatively high credit risk for traditional lenders, which is why many consumers with credit issues struggle to secure new loans, credit cards, and/or other financing.

76% of consumers with credit scores below 670 have been turned down for financing[1]

It can take years for a credit score to recover from late or missed payments, bankruptcy, or other items on a credit report. In the meantime, these consumers may go without a big-ticket purchase or shop brands and stores that aren't their first choice. Offering lease-to-own financing can help you attract customers who need more accessible options to pay over time.

How lease-to-own financing works

Qualifying for lease-to-own financing typically doesn't require a credit check from the three major credit bureaus (Experian, TransUnion, and Equifax). Instead, the applicant has their credit report pulled from special providers and additional data, such as monthly income and having an active checking account, is also considered.

Because alternative financing providers, including Snap Finance, consider factors other than scores from major credit bureaus, applicants of all credit types are more likely to get approved.

More approvals mean more opportunities to close sales and increase customer loyalty.

A credit report that has too few accounts to create a full picture of creditworthiness for potential lenders is called a thin credit file.[5] Consumers may not have enough credit information to generate a credit score at all or have only a few credit accounts, which may result in a lower score. Because no one is born with credit, all consumers have a thin credit file at some point in their lives.

2

People with little credit history often need more inclusive payment options

Lenders and other companies often look at credit reports to determine if a potential borrower has a good track record of paying off debts. A credit score is determined, in part, by the average age of credit accounts, the age of the oldest account, and how long it's been since the consumer opened an account. That can be a problem for people who are new to using credit, including younger generations.

15% of a consumer's FICO score is determined by how long they've had credit accounts open in their name[4]

Consumers most likely to have a thin credit file[5]

- Younger consumers or those who are otherwise new to the credit world
- Those who have had credit for a while but have only a few credit accounts
- Recent U.S. immigrants
- Consumers who avoid credit and handle finances with cash or debit cards
- Those who had credit but stopped using it, which may make the information too old to be scored
- Newly single consumers who had little or no credit in their own name while married

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31% of Gen Zers don't have savings to cover an unexpected expense[8]

Reach Gen Z with lease-to-own financing

Gen Z's unique shopping habits, buying power, and influence are reshaping retail. For businesses that capture the attention, loyalty, and trust of this generation, the rewards will be well worth the effort.

Born between 1997 and 2012, Gen Z may not be who you think they are.[6] Although many Gen Zers are still young, the oldest are out of college and taking their place in the workforce. And Gen Z's buying power is growing up with them. With an estimated $360 billion in disposable income, this generation will soon become the largest consumer segment.[7]

But not all members of Gen Z are doing well. Many have shouldered a great deal of student debt, are struggling to find jobs, and are facing unprecedented economic uncertainty.

Gen Z's credit profile differs significantly from older generations. Because of their age, many have little to no credit history, making it difficult for them to qualify for traditional financing options. Those who do have credit often have lower scores due to their limited credit history and often higher utilization rates.

Don't let Gen Z shoppers leave your store empty-handed. Offering lease-to-own financing can be a lifeline for your younger customers with subprime credit.

3

Lease-to-own financing reduces the upfront cost of big-ticket items

To make the cost of a major purchase more affordable, many of your customers, including those with credit issues, may need to break it down into smaller payments over time. Lease-to-own financing provides a pathway to ownership without requiring a significant upfront payment or perfect credit.

22% of consumers with lower credit scores have used lease-to-own financing to pay for major purchases[1]

Inflation and a rising cost of living have led many consumers to cut back on discretionary spending.[9] Snap Finance found that 70% of consumers with credit scores below 670 are cutting back on nonessential purchases, but for purchases of more essential categories, consumers of all financial backgrounds are shopping at similar rates.[1] Offering lease-to-own financing helps more customers get what they need now.

What credit-challenged consumers are buying[1]

42%
Auto service or repair

42%
Electronics

26%
Appliances

24%
Furniture

22%
Tires or rims

16%
Mattresses

Lease-to-own financing brings increased buying power

Shoppers often spend more when they pay over time. Not only does it reduce the pain of paying upfront, paying over time also increases purchasing power. With lease-to-own financing, shoppers can get more expensive or better quality items – or simply buy more of what they want or need. And retailers can increase their average order volume.

On a recent purchase, 58% of credit-challenged consumers spent more because financing was available. Among those who spent more, 79% increased their purchase by $100 or more.[1]

Drive long-term success and loyalty with lease-to-own financing

Customers remember their experience just as much as the product. When you help them get what they need – perhaps when no one else would – you gain their trust and create lasting, loyal customer relationships.

Offering lease-to-own financing can extend your reach to new customer segments, including those with less-than-perfect credit.

The result is not just an increase in customers or an uptick in sales, but the cultivation of loyalty and trust that's reinforced with every transaction.

Make lease-to-own financing part of your winning strategy to help your business thrive as you lay the foundation for lasting customer relationships and ongoing success.

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 nontraditional 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 snapfinance.com.

The advertised service is a lease-to-own agreement provided by Snap RTO LLC. Lease-to-own financing is not available to residents of Minnesota, New Jersey and Wisconsin.

Sources

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