Point-of-Sale Financing

Key Trends
and Retailer Insights
2025

Survey Report

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Introduction and Key Findings

Introduction & Methodology

Shoppers today expect unprecedented levels of choice, personalization, and convenience. However, this level of service has yet to fully extend to point-of-sale financing. Many retailers still offer fragmented solutions, resulting in a subpar customer experience and complex management processes. The current economic climate exacerbates these challenges. While demand for consumer financing is on the rise as shoppers look for ways to manage their spending, economic pressures are causing lenders to tighten their risk models and approve fewer loans.

To better understand how merchants are meeting their customers' financing needs and the challenges they face, we conducted our second annual survey. This report is particularly relevant for retailers with high average order values that seek to understand the challenges and barriers that other merchants face delivering point-of-sale (POS) financing and to find solutions that will drive sales and enhance customer satisfaction and brand loyalty. The report also offers interesting insights for banks and financial institutions striving to meet modern customer expectations.

Methodology

This report is based on an online survey conducted May 2024 by Global Surveyz, an independent survey company. The survey gathered responses from 100 participants in the United States across various departments, including Customer Experience, Finance & Accounting, Marketing, Omnichannel, and Operations. Respondents ranged from Directors to C-level executives and represented companies with an annual revenue of at least $200 million.

The survey focused on the retail and eCommerce industries, specifically within the categories of Autoparts, Electronics, Fitness & Sports, Furniture/Housewares, Health/Wellness, Home Improvement, Jewelry/Accessories, and Outdoors. The target audience has an average order value (AOV) of at least $250.

Key Findings

1

Consumer financing is integral to sales revenue

Consumer financing plays a crucial role in driving sales revenue, with an average of 40% of annual gross merchant value (GMV) attributed to financing. Notably, none of the merchants surveyed reported zero sales from financing, and only 3% reported sales figures under 25%. This underscores the importance of consumer financing in retail and eCommerce, highlighting its significant contribution to overall sales revenue.

2

Approval rates are declining, with a more than 50% increase in the number of merchants reporting approval rates below 60%

Almost half (45%) of retailers report approval rates below 60%, a significant increase from 29% in 2023. Only 2% of merchants achieve approval rates above 80%, a sharp decline from last year's 12%. With the average approval rate at 58%, compared to 65% in 2023, over 40% of shoppers are declined at the point of sale. This trend highlights the growing challenge shoppers face in securing financing, underscoring the need for merchants to improve their POS financing solutions, with only 6% currently catering to customers across the credit spectrum.

3

Sales are materially impacted by not meeting the needs of the entire customer base

Only 1% of merchants strongly agree that they are meeting the needs of their customers across the credit spectrum. As a consequence, 99% of merchants believe that their sales have been materially impacted by this shortfall, suggesting the need for full waterfall financing.

4 78% of merchants identify point-of-sale (POS) financing as a strategic priority for the next 12 months

Recognizing the critical role of financing in driving sales, 78% of merchants say that point-of-sale financing is a strategic priority over the next 12 months. Merchants' top financing priorities for 2024 - 2025 are improving in-store capabilities (40%), improving the customer journey (37%), optimizing financing data (36%), and expanding the lender portfolio (34%).

5 Technical and operational difficulties are the top challenges in managing lenders and POS financing funnels

95% of merchants admit to facing challenges in managing their point-of-sale financing. The primary issues are compliance concerns (34%), lack of IT resources (30%), and security challenges (29%). These technical and operational difficulties overshadow other issues, such as approval rates (24%), indicating flaws in the current implementation of POS financing. These challenges suggest that a multi-lender point-of-sale financing platform is the best solution.

6 The most important capability in a point-of-sale financing platform is to easily connect to lenders

Merchants prioritize the ability to easily connect to any lender of their choice (45%) as the most important capability in a point-of-sale financing platform. Other crucial features include advanced reporting of the financing funnel (36%), a multi-lender waterfall approach to increase approval rates (35%), and full flexibility in orchestrating lenders (35%). Merchants require POS financing platforms that can handle the burden of multiple, complex requirements.

Survey Report Findings

Percentage of Annual Sales Gross Merchant Value (GMV) from Financing

Consumer financing plays a crucial role in merchants' sales revenue, with an average of 40% of annual sales GMV coming from financing. Among the respondents, 72% indicated that between 36% and 50% of their annual sales GMV is attributed to financing and 2% reported that over 50% of their sales are driven by financing.

None of the merchants surveyed reported less than 10% of sales coming from financing, and only a minimal percentage (3%) reported sales figures under 25%. This highlights the integral role of consumer financing in driving sales revenue.

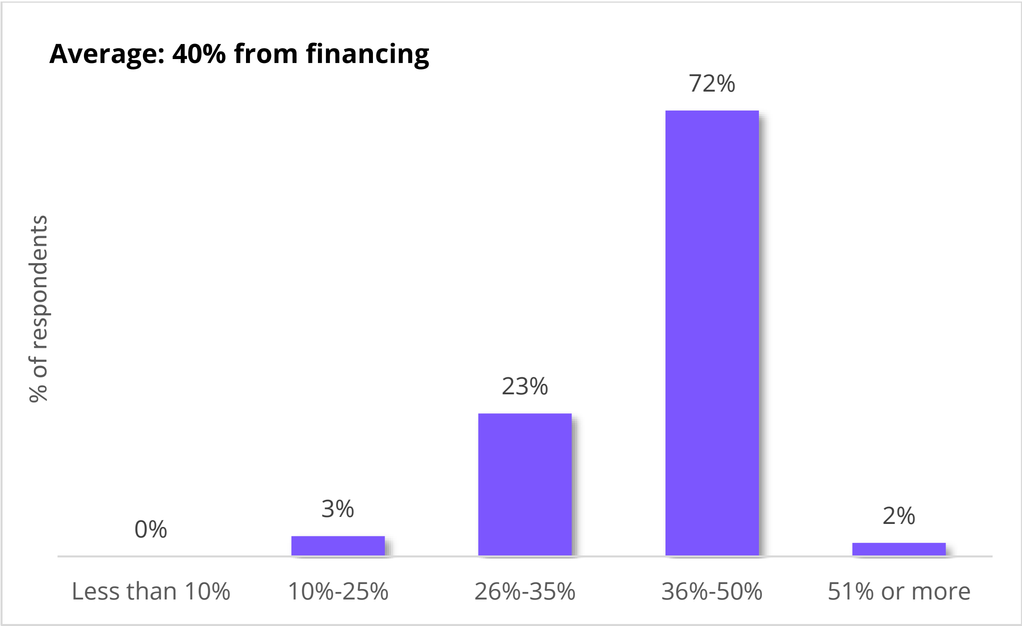

Figure 1: Percentage of Annual Sales Gross Merchant Value (GMV) from Financing

Point-of-Sale Financing Options Currently Offered

The most common POS financing options that merchants offer their customers are Buy Now, Pay Later (BNPL) (76%), long-term installments (69%), and B2B financing (31%).

Only 12% of merchants provide access to revolving credit at the point of sale, and just 21% offer to lease-to-own options.

The limited choice of financing options highlights a gap in the market, as not all customers' needs are being met. Low-credit and no-credit shoppers are especially disadvantaged by the lack of lease-to-own availability, while shoppers who prefer to pay with private label credit cards or revolving credit, find their options limited.

*Question allowed more than one answer and as a result, percentages will add up to more than 100%

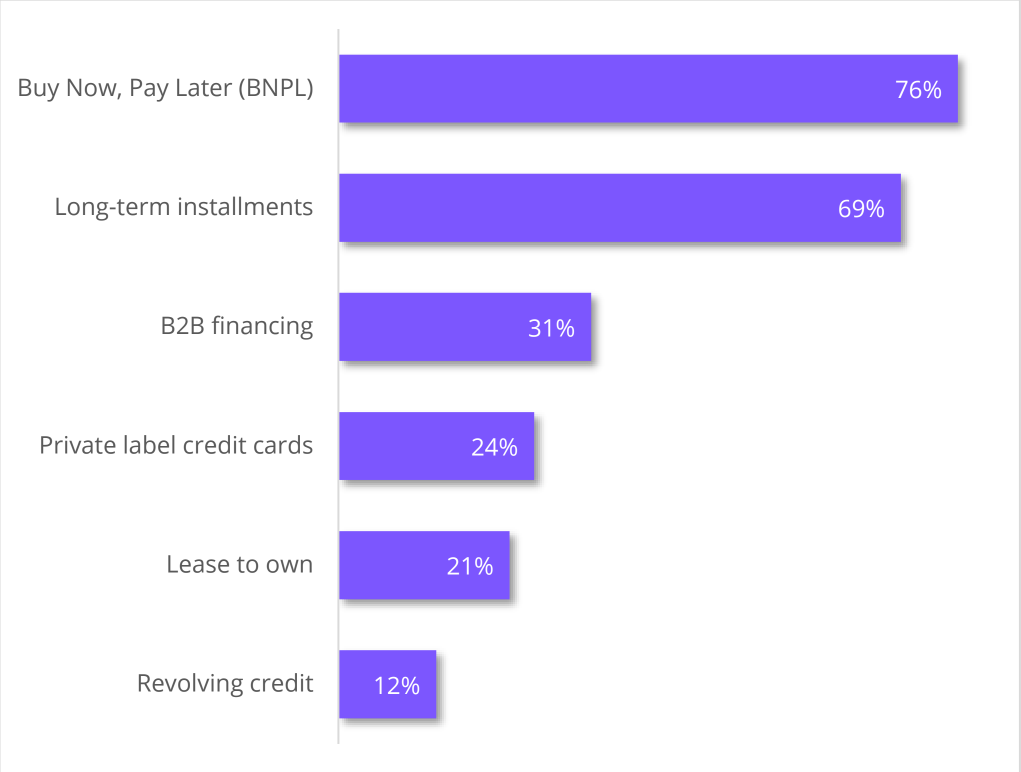

Figure 2: Point-of-Sale Financing Options Currently Offered

Where Merchants Offer Point-of-Sale Financing

The omnichannel experience is becoming increasingly important. The majority of merchants (57%) offer POS financing both in their physical stores and online. This marks a slight increase from last year (54%). Where merchants offer POS financing mainly at one location – the vast majority do so online (31%), compared to 12% in-store.

This disparity suggests that merchants find it challenging to implement POS financing in physical stores and points to difficulties in providing a seamless omnichannel financing experience. If a merchant's online and in-store processes are not integrated, customers can experience a disjointed omnichannel purchasing journey, emphasizing the need for a unified and aligned experience across all sales channels.

None of the respondents reported that they do not offer POS financing at all.

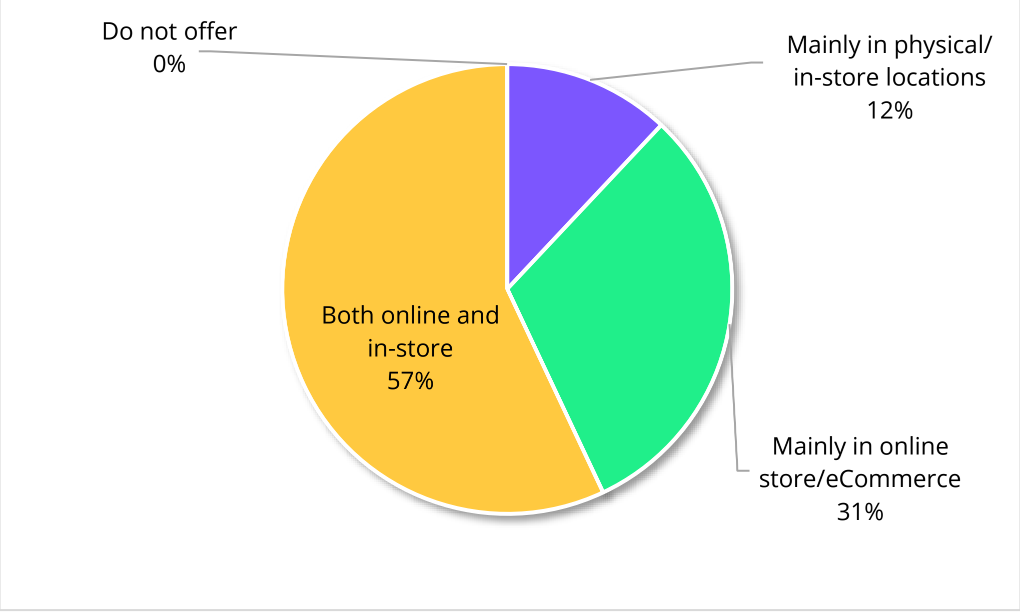

Figure 3: Where Merchants Offer Point-of-Sale Financing

Customer Credit Profiles Catered to by Current Point-of-Sale Financing

We asked merchants which credit profiles their current POS financing caters to. A significant majority cater to near-prime customers (67%), compared to prime (26%) and subprime (26%), with only 6% catering to the full credit spectrum.

The prevalence of near-prime loans is likely driven by two factors:

- The popularity of BNPL, which is often classified as near prime.
- Lenders tightening their credit criteria over the past 12 to 18 months, causing many former prime customers to fall into the near-prime category.

By focusing on near-prime customers merchants miss the opportunity to offer prime customers the best terms, potentially driving them to competitors with superior loan choices. This trend underscores the need for a broad approach that caters to diverse credit profiles to maximize approvals, drive sales, and improve customer satisfaction.

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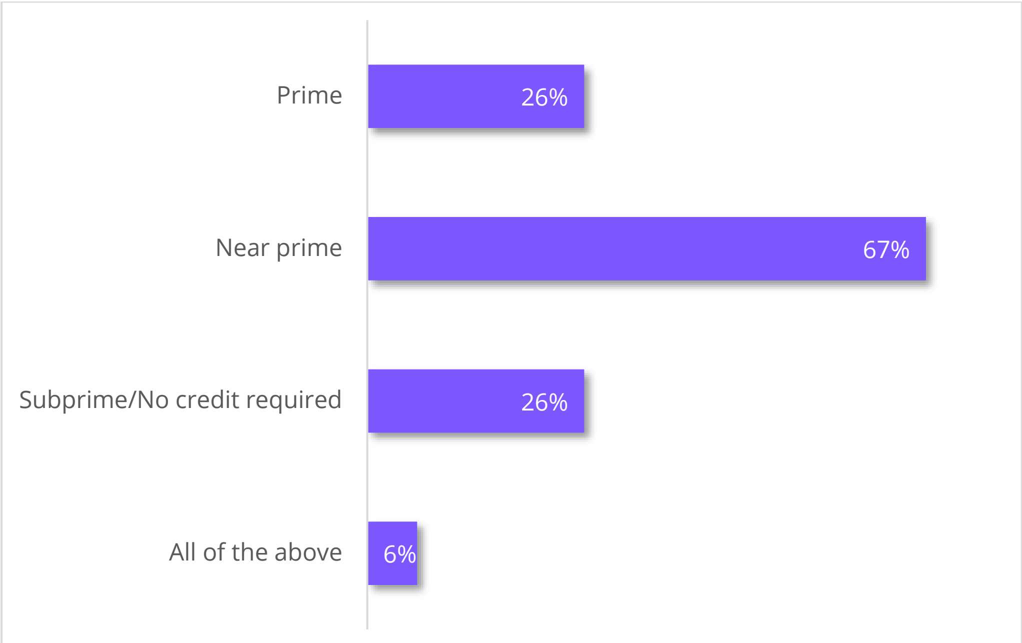

Figure 4: Customer Credit Profiles Catered to by Current Point-of-Sale Financing

Point-of-Sale Financing Approval Rates

Approval rates are declining. Almost half (45%) of retailers reported approval rates below 60%. This is a significant increase from 2023, when only 29% of retailers reported under 60% approvals.

The average approval rate for POS financing applications has dropped from 65% in 2023 to 58% in 2024, leaving over 40% of customers declined at their moment of need, representing a significant potential loss in sales

Whereas last year 12% of merchants achieved at least 80% approvals, this has declined to a mere 2%.

The decline in approval rates is indicative of lenders' increasing risk aversion amid economic uncertainty. This trend highlights the need for merchants to diversify their POS financing.

Offering more flexibility and catering to the full credit spectrum, including expanding near-prime options beyond BNPL, will increase approval rates.

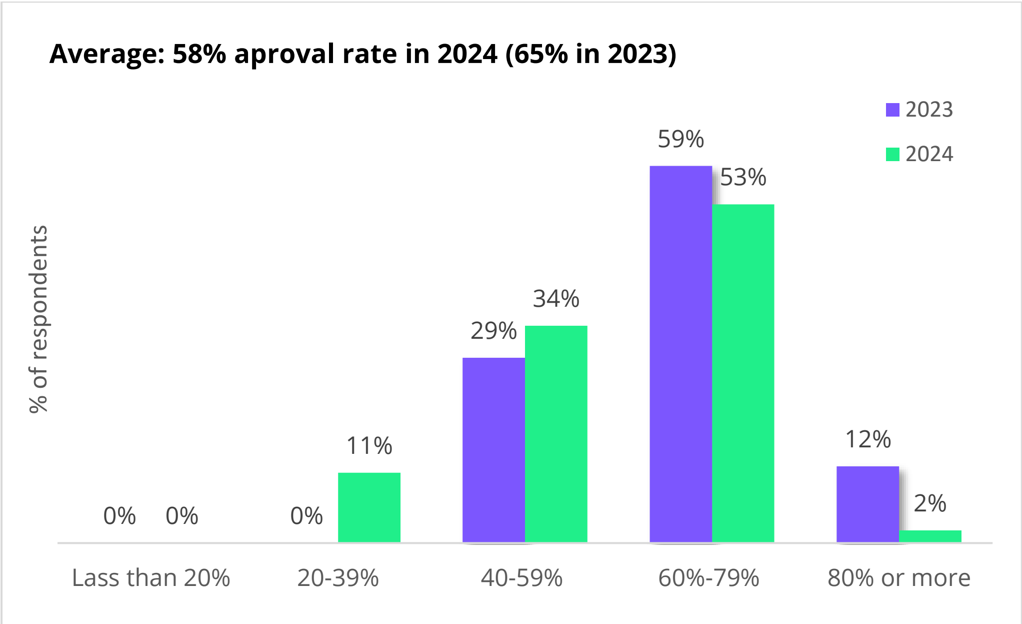

Figure 5: Point-of-Sale Financing Approval Rates

Meeting the Needs of Entire Customer Base

Merchants are not meeting the needs of their customers. Indeed, only 1% of merchants strongly agree that their current offer meets their customers' needs highlighting a significant gap in the effectiveness of current POS financing solutions.

The inability to meet the needs of the entire customer base poses a serious risk of lost sales, with 99% of merchants acknowledging that their sales have been materially impacted by this gap.

The current management of POS financing, characterized by limited lender options and a lack of diverse financing solutions, is a critical factor contributing to this issue. This finding underscores the importance for merchants to reassess their POS financing strategies to better align with customer expectations and mitigate the risk of lost sales.

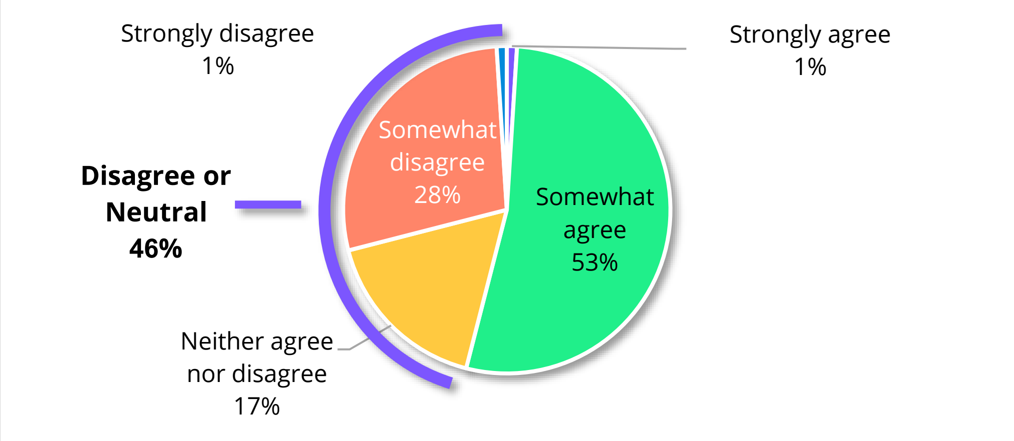

Figure 6: Meeting the Needs of Entire Customer Base

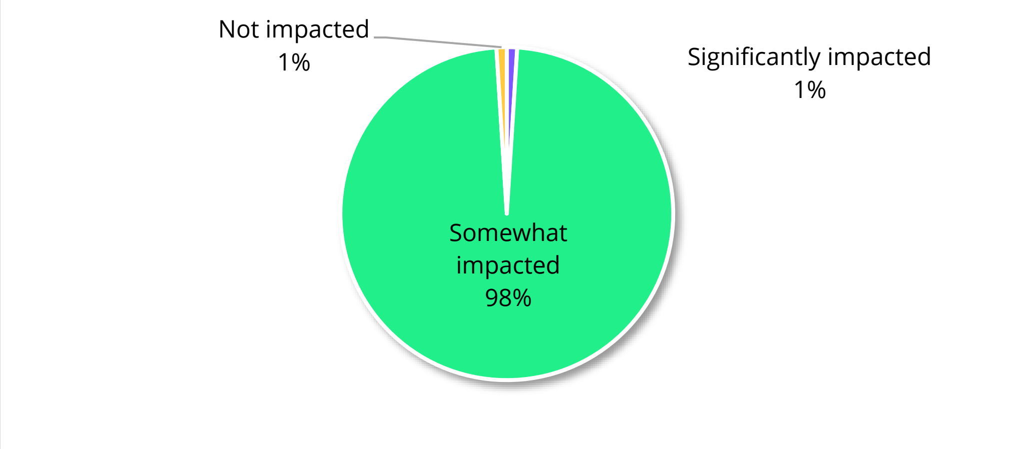

Figure 7: Material Impact on Sales by Not Meeting the Needs of the Entire Customer Base

Number of Finance Providers and Impact on Approvals

When examining the relationship between the number of financial providers and approval rates, a clear pattern emerges. Among companies with approval rates above 60%, only 9% have one provider, while 78% have two providers. This suggests that multiple providers positively impact approval rates.

Interestingly, the pattern does not continue with three or more lenders. Although 13% of merchants offer three or more financing options, there is no difference in approval rates. This is probably due to a disjointed process with separate applications to each lender, decreasing the likelihood of shoppers with multiple declines continuing to apply.

This suggests that when offering multiple lenders, merchants need to ensure that a fast and seamless application process. Merchants should therefore not only consider the number of financing options but also the efficiency of the application process to maximize approval rates.

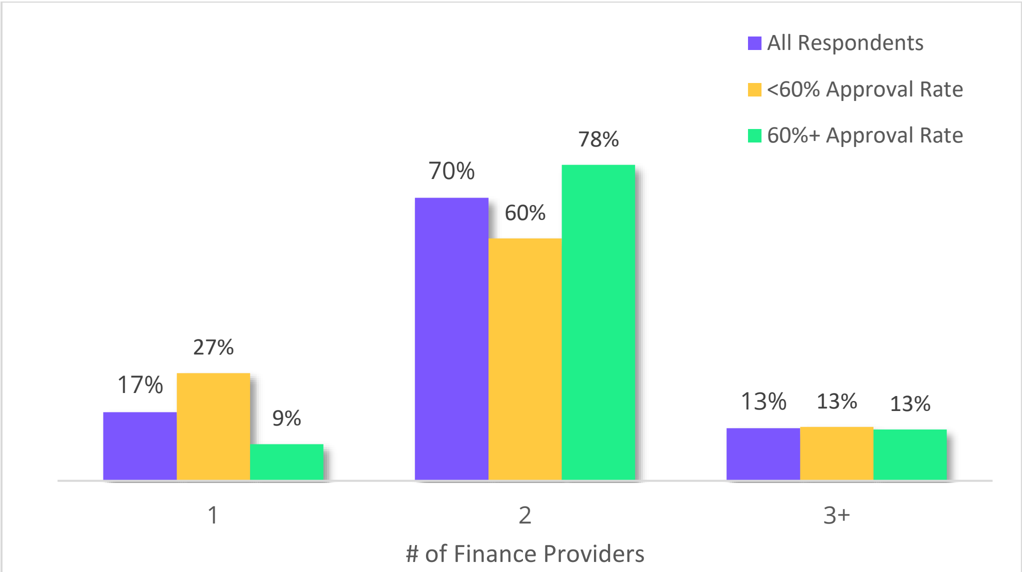

Figure 8: Number of Finance Providers and Impact on Approvals

Top Challenges Managing Lenders and the Financing Funnel

Almost all merchants (95%) admit to facing challenges managing their point-of-sale financing, with compliance issues (34%), lack of IT resources (30%), and security challenges (29%) being the primary concerns.

These technical and compliance challenges overshadow other issues, such as approval rates (24%), a user-friendly experience (24%), flexibility issues (19%) and lender dependency (18%).

The emphasis on technical challenges implies that the current implementation of POS financing by many merchants is flawed, leading to inefficiencies and complications that affect their ability to effectively manage the financing funnel. Addressing these technical issues through a platform-first approach removes the burden of managing all of the challenges listed.

*Question allowed more than one answer and as a result, percentages will add up to more than 100%

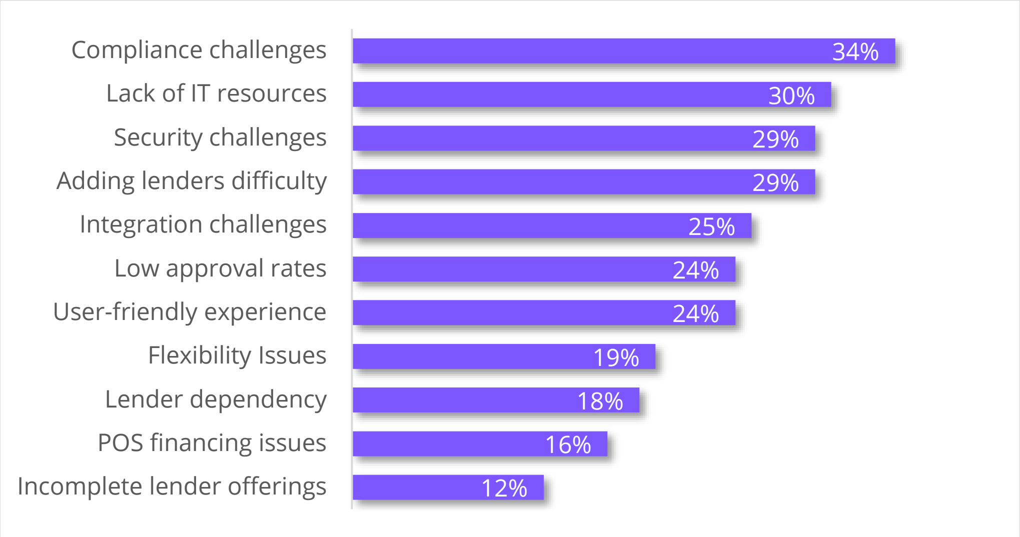

Figure 9: Top Challenges Managing Lenders and the Financing Funnel

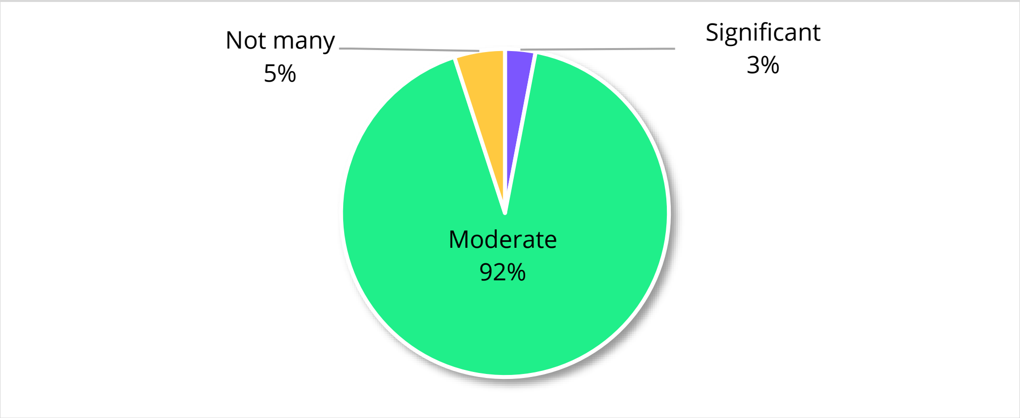

Figure 10: Challenges in Managing Current Point-of-Sale Financing Offer

Enhancing Point-of-Sale Financing as a Strategic Priority in the next 12 Months

78% of merchants consider enhancing POS financing a strategic priority for the next 12 months, and only 22% do not see it as a priority. Given the critical role of POS financing in driving sales and its significant impact on merchants' bottom lines, this finding is not surprising.

The importance of POS financing is underscored by previous findings indicating that most merchants' sales have been materially affected by their current financing offer. With a substantial portion of GMV attributed to financing, it’s evident that improving POS financing capabilities is essential for sustaining and boosting sales.

The high priority placed on improving POS financing reflects merchants' recognition of its value and the potential benefits of addressing existing challenges. By focusing on enhancing their POS financing solutions, merchants aim to better meet customer needs, improve approval rates, and ultimately drive higher sales and customer satisfaction in the coming year.

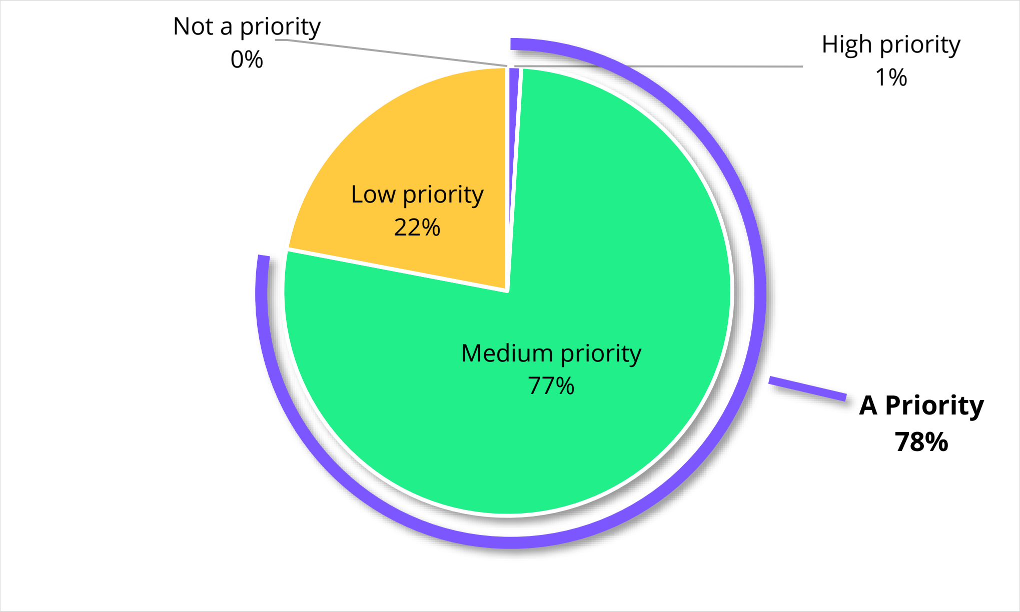

Figure 11: Enhancing Point-of-Sale Financing as a Strategic Priority in the next 12 Months

Top Point-of-Sale Financing Priorities, 2024-2025

Merchants' leading POS financing priorities are improving in-store capabilities (40%), improving the customer journey (37%), and optimizing POS financing data (36%).

Enhancing in-store capabilities addresses the complexity previously highlighted. Improving the customer journey is also recognized as crucial for driving sales and satisfaction. Optimizing POS financing data is likely a priority due to the difficulties merchants face in leveraging data for strategic decision-making.

Expanding the lender portfolio is also high on the agenda, aiming to tackle approval rate challenges and meet customer needs. Additionally, B2B financing expansion is gaining traction, reflecting interest in tailored options for business clients.

27% of respondents listed increasing approval rates as a top priority and by addressing technological constraints, merchants can significantly enhance approval rates.

*Question allowed more than one answer and as a result, percentages will add up to more than 100%

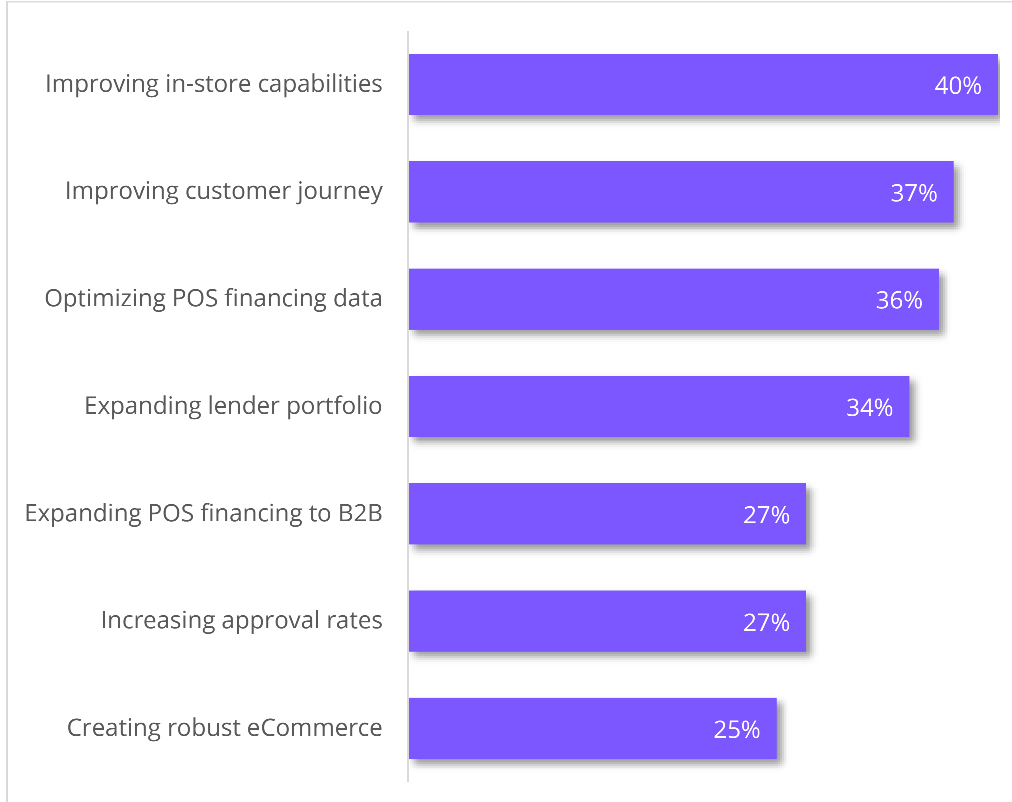

Figure 12: Top Point-of-Sale Financing Priorities, 2024-2025

Most Important Capabilities in a Point-of-Sale Financing Platform

When it comes to POS financing platforms, the most important capabilities for merchants are the ability to easily connect to any lender (45%), advanced reporting of the financing funnel (36%), a multi-lender waterfall to increase approvals (35%), and full flexibility of where to present lenders in the customer journey.

Given the complexities of adding new lenders, a platform-first strategy is essential. A platform can seamlessly integrate with all points of sale, facilitating connections to multiple lenders, and offering advanced reporting and data management. This approach not only simplifies the addition of new lenders but also supports omnichannel capabilities and provides actionable insights and comprehensive post-sale management.

*Question allowed more than one answer and as a result, percentages will add up to more than 100%

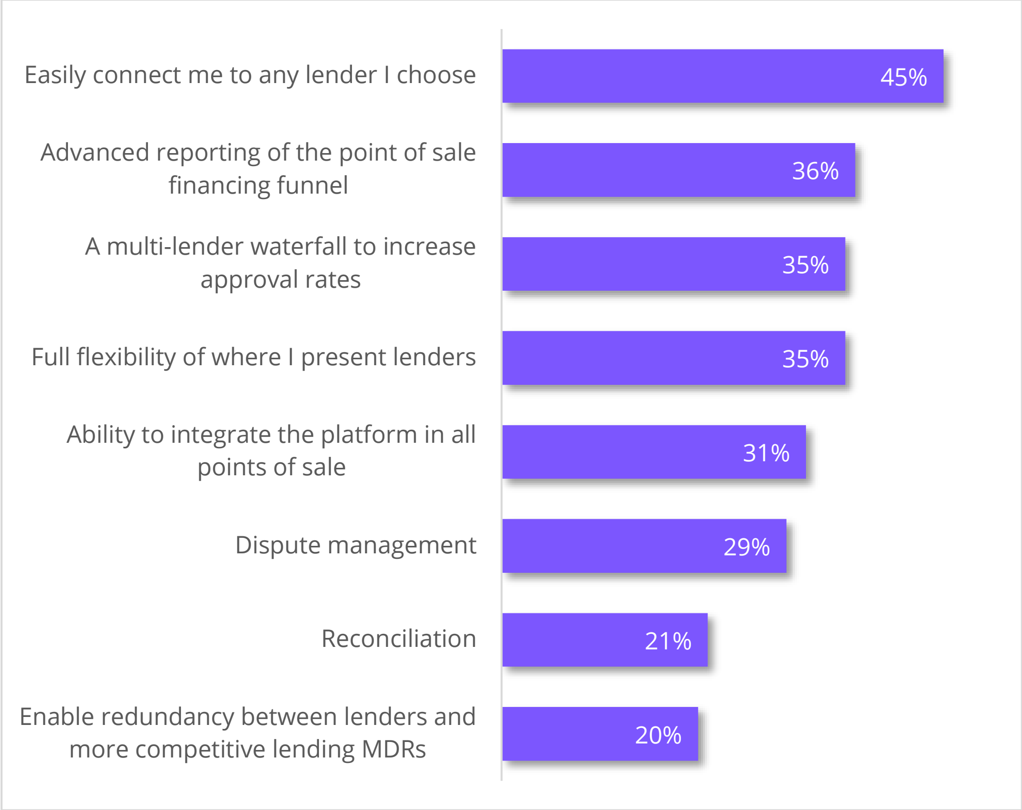

Figure 13: Most Important Capabilities in a Point-of-Sale Financing Platform

Demographics

Retail Vertical, Department, Job seniority, Annual Revenue, and AOV

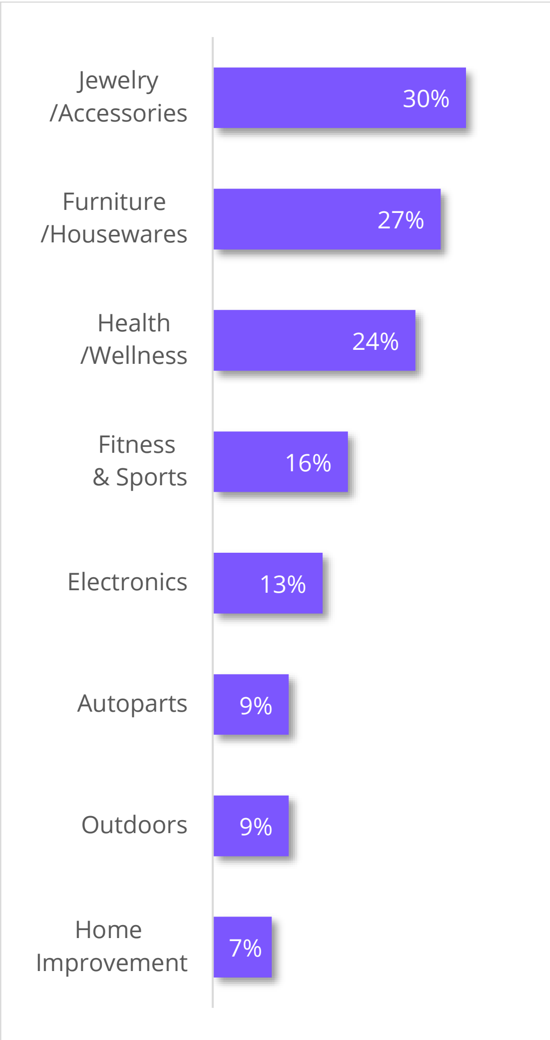

Figure 14: Retail Vertical

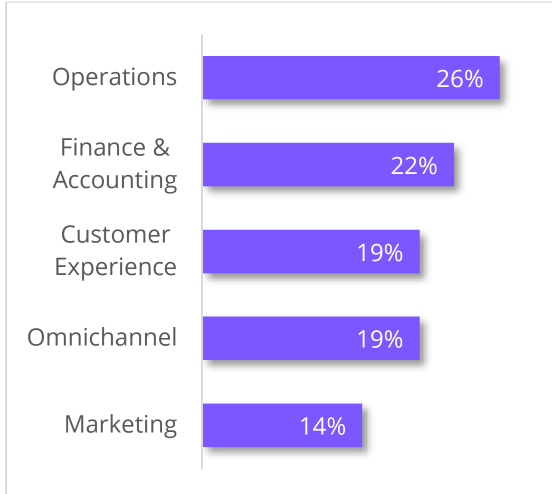

Figure 15: Department

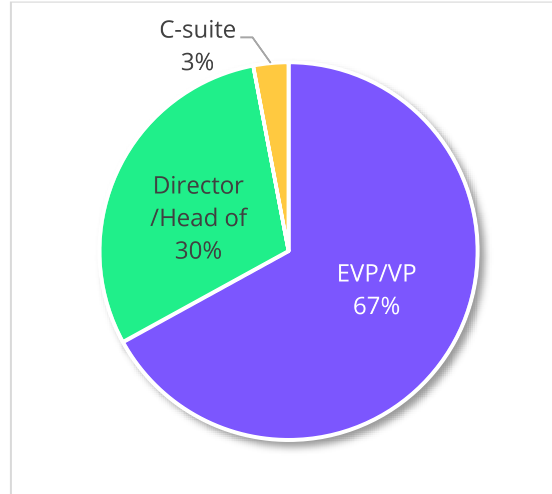

Figure 16: Job Seniority

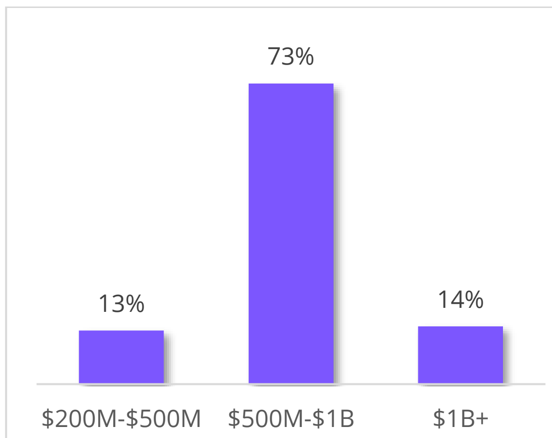

Figure 17: Annual Revenue

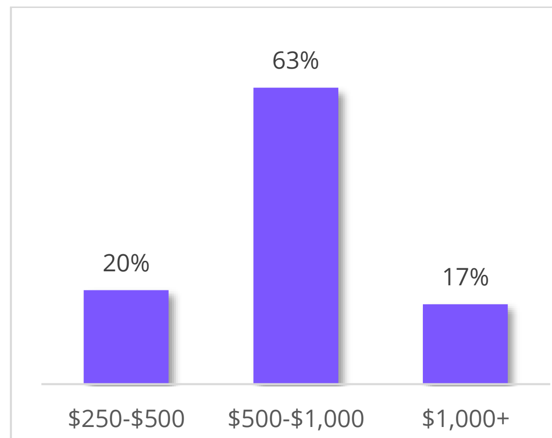

Figure 18: AOV

About ChargeAfter

ChargeAfter is pioneering the embedded lending network for point-of-sale consumer financing for merchants and financial institutions. Powered by a network of lenders and a data-driven matching engine, ChargeAfter streamlines the distribution of credit into a single, secure, and reliable embedded lending platform. Merchants can rapidly implement ChargeAfter’s omnichannel platform online, in-store, and at every point of sale, enabling them to provide personalized financing choices to their customers.

ChargeAfter is backed by payment expert investors including Citi Ventures, Visa, MUFG, Banco Bradesco, Synchrony Financial, PICO Venture Partners, Propel Venture Partners, and The Phoenix. ChargeAfter is headquartered in New York with an R&D center in Tel Aviv. For more information, visit https://chargeafter.com/about-us.

Request a Demo

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