June 2024 Report

NAVIGATING NEW NORMS:

The Use of Card-Linked Installment Plans in Online and In-Store Sales

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NAVIGATING **NEW NORMS:**

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TABLE OF CONTENTS

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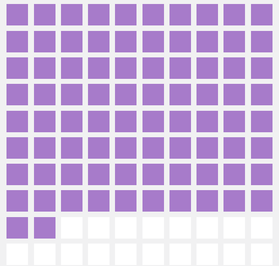
Navigating New Norms: The Use of Card-Linked Installment Plans in Online and In-Store Sales was produced in collaboration with Splitit, and PYMNTS Intelligence is grateful for the company's support and insight. PYMNTS Intelligence retains full editorial control over the following findings, methodology and data analysis.

WHAT'S **AT STAKE**

A significant share of acquirers — 54% — report supporting credit card-linked installment options online or in-store, yet actual implementation remains more limited. Indeed, only 3 out of 50 surveyed acquirers — just 6% of respondents — offer pay later plans directly linked to credit cards from any financial institution before or during checkout, mirroring our findings from late last year. Likewise, 22% of acquirers cite third-party integration constraints as a limitation to offering credit card-linked installment options. The data from PYMNTS Intelligence on this variety in timing and type of pay later plan reveals a significant gap between perceived and actual capabilities, highlighting the need for enhanced direct integrations and more consistent installment offerings.

82%



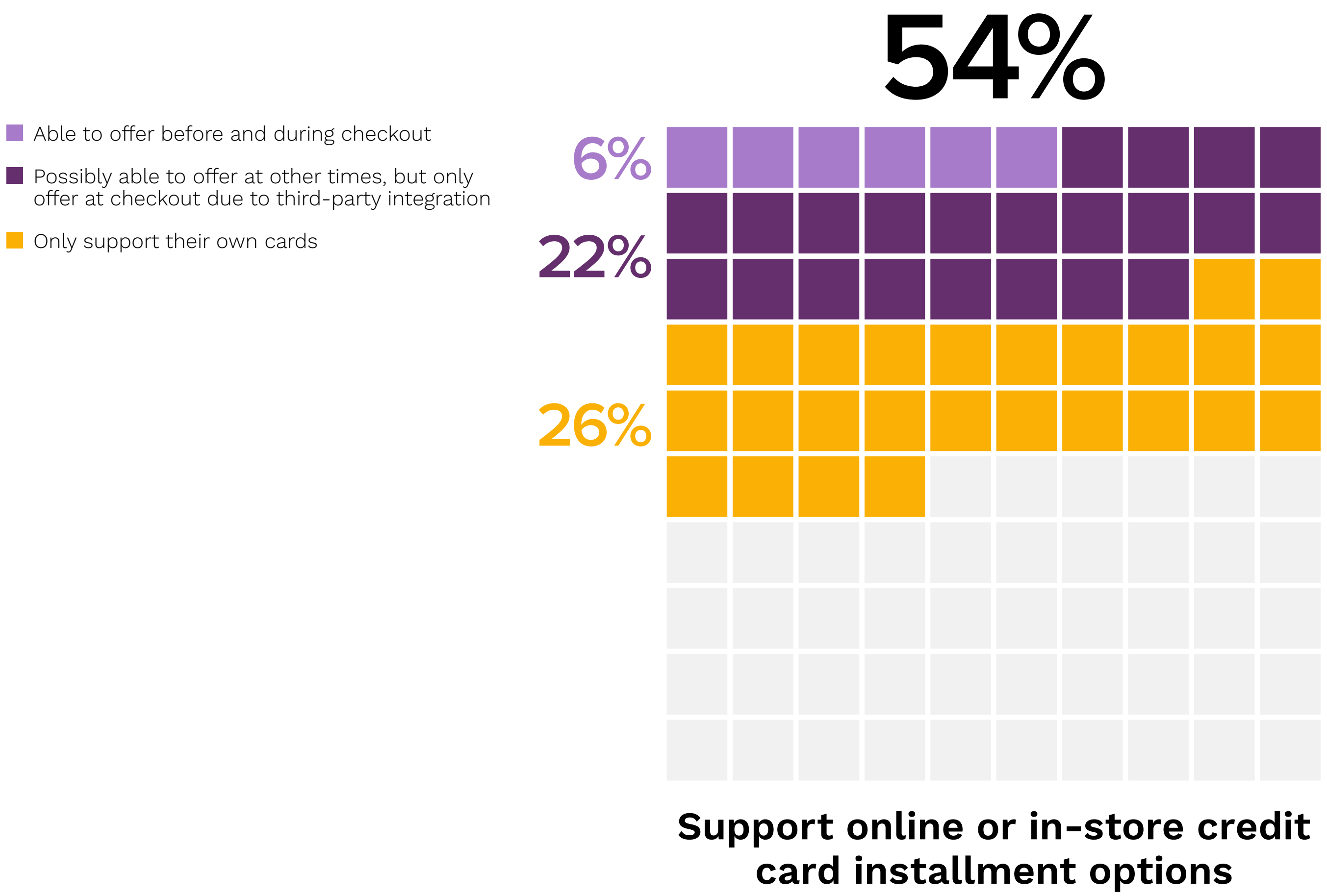
Share of acquirers that believe **providing card-linked installment plans leads to increased sales volume** — a substantial increase from the 64% recorded six months ago

Despite these challenges, opportunities for growth in the pay later payments market remain substantial. Acquirers that innovate and integrate both general-purpose card-linked installment plans and BNPL schemes more seamlessly can capture a larger market share. For example, 45% of acquirers plan to support general-purpose credit card-linked installment plans before checkout in the future, representing a 15% increase since October. This shift indicates more acquirers are recognizing the importance of meeting consumer and merchant needs by providing flexible payment options earlier in the purchasing process.

FIGURE 1:

What's on offer?

Share of acquirers that offer general-purpose credit card installment options to their merchants



Source: PYMNTS Intelligence

Navigating New Norms: The Use of Card Installment Plans in Online and In-Store Sales, June 2024

N = 50: Complete responses, fielded March 5, 2024 – March 28, 2024

These are just some of the findings detailed in Navigating New Norms: The Use of Card-Linked Installment Plans in Online and In-Store Sales, a PYMNTS Intelligence and Splitit collaboration. This edition examines consumers' use of installment plans for completing common purchases by drawing on insights from an original survey of 50 acquirers that included acquirer executives with knowledge and leadership responsibilities in payments products or services for businesses and merchant monitoring and who have been working in the company for more than one year. We conducted this survey from March 5 to March 28.

This is what we learned.

KEY FINDINGS

01

PLAN PREFERENCES

Most acquirers provide pay later options, favoring credit card-linked plans for larger purchases and BNPL for smaller ones.

70%

Share of acquirers that would most prefer merchants offer BNPL for purchases of $300 to $499, while 70% most prefer card-linked plans for purchases between $750 and $999

02

ROI AND SATISFACTION

Acquirers generally report satisfaction with ROI for pay later plans, with credit card-linked installment plans boosting client satisfaction and retention.

50%

Share of acquirers that agree both general-purpose card-linked and BNPL plans increase profits

03

CHECKOUT INTEGRATION

Most acquirers support credit card installment plans at checkout, but few offer this option without third-party integration.

64%

Share of acquirers that want individual customers to be offered pay later options during checkout, while they think 32% of merchants prefer to offer plans earlier

04

INNOVATION DRIVERS

Nearly half of acquirers think businesses might switch providers for better pay later options, with larger acquirers leading innovations.

19%

Share of acquirers generating revenues of more than $1 billion that are currently innovating in the pay later space

THE FULL STORY

Acquirers increasingly recognize that offering pay later plans before purchase significantly enhances consumer purchasing decisions and merchant retention.

Only 6% of acquirers PYMNTS Intelligence surveyed truly offer installment plans linked to credit cards before or during checkout, even though most acquirers still claim they make card-linked installment plans available.

Much of this apparent disconnect still stems from acquirers defining their capabilities in differing, if not competing, terms in the market. At just 6% of those surveyed, the share of acquirers that make their pay later plan capabilities available before or at checkout resembles our past findings.[1] Although 56% of acquirers claimed late last year that they facilitated general-purpose credit card installment plans before or during checkout, our research reflected a figure likely nearer to 8.3%.

1 Acquirers' Navigation of an Uncertain Installment Plan Landscape. PYMNTS. 2023. https://www.pymnts.com/study/acquirers-navigation-uncertain-installment-plan-landscape-bnpl/. Accessed June 2024.

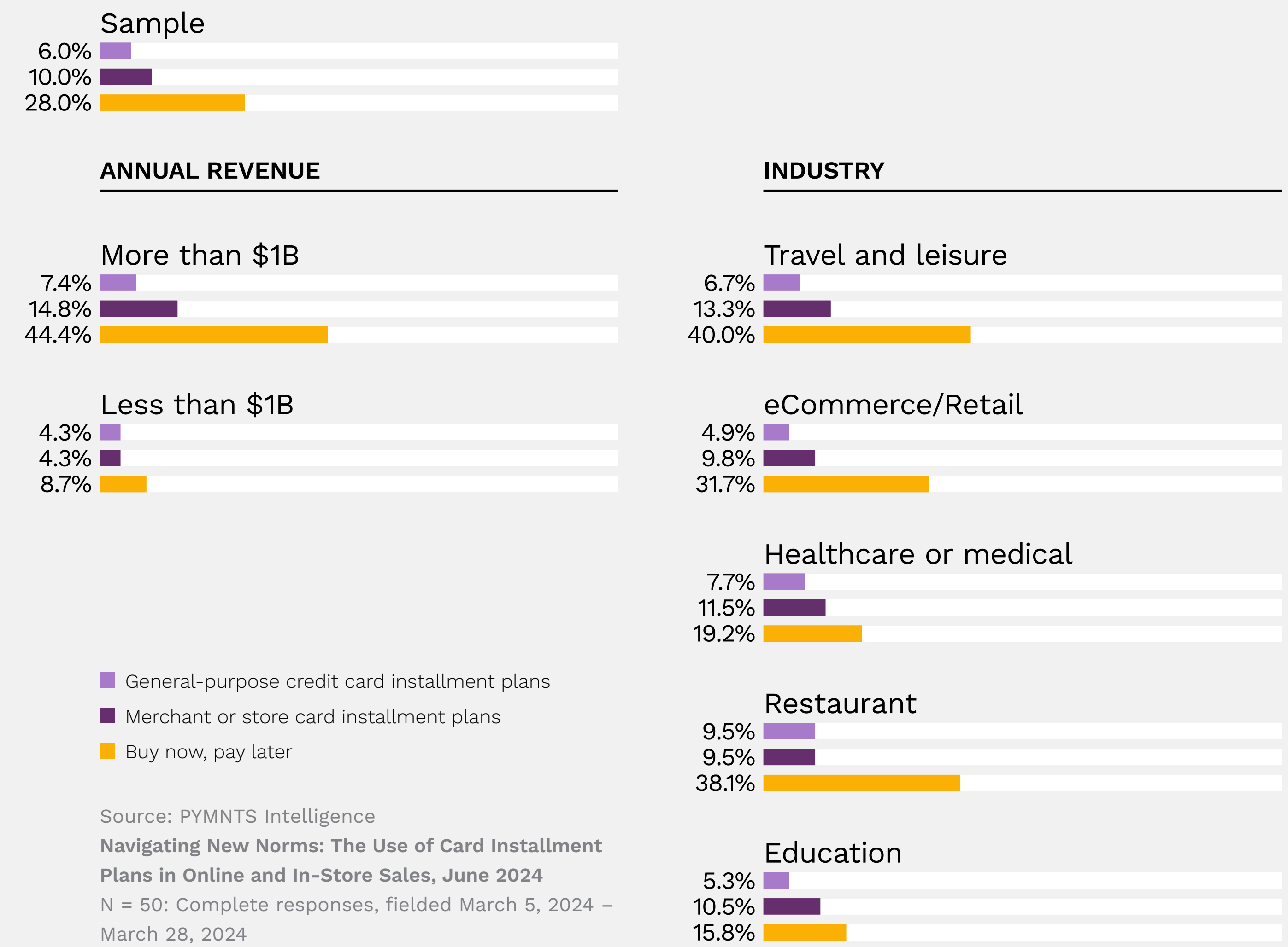
The most recent data also reflects the uneven distribution of installment options across acquirers serving merchants in various industries and of different revenue sizes. In October, general-purpose credit card pay later plans were more prevalent among larger acquirers — those generating $1 billion or more in annual revenue — at 19%, compared to 7.4% reported in March. However, the overall concentration of installment plans of any kind in industries such as retail, restaurants and travel and leisure remain much the same.

These sectors reflect somewhat higher implementation rates for general-purpose credit card-linked plans in particular. By contrast, healthcare and education are areas where implementation efforts for this payment option could improve. While healthcare exceeds all sectors but the restaurant industry with 7.7% of acquirers offering merchants general purpose card-linked installment plans, education lags all but eCommerce/retail. These disparities suggest that sectors with more frequent and varied transactions are more likely to implement general-purpose credit card-linked plans, whereas sectors like education may require more tailored payment solutions to accommodate their large but regular transactions.

FIGURE 2:

Credit card-linked installment plan availability

Share of acquirers making select pay later options available to merchants



Source: PYMNTS Intelligence
Navigating New Norms: The Use of Card Installment Plans in Online and In-Store Sales, June 2024
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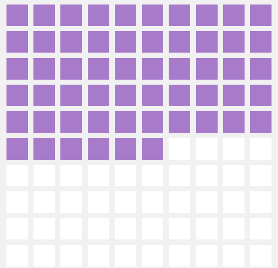
Recent data suggests a more diversified approach to pay later offerings is emerging. There is a noticeable decrease in BNPL use across several sectors, particularly in eCommerce, where it dropped from 67% late last year to 39%. Meanwhile, its use in retail trade remains steady. Indeed, this relationship is stronger than it was in our last study, suggesting that acquirers are trying to accommodate the smaller, more frequent purchases typical of recent consumer trends in BNPL usage in-store.[2]

Such a shift also reflects a broader industry trend of offering more varied and flexible payment solutions, driven by changing consumer preferences and the increasing competitive pressure among acquirers to make adaptable financial products more widely available. At the extremes, acquirers prefer that merchants use general-purpose card plans for purchases greater than $10,000 and BNPL for purchases less than $99.

2 Redefining Retail: Consumer Finance Trends Driving the Evolution of Pay Later Plans. PYMNTS. 2024. https://www.pymnts.com/study/redefining-retail-pay-later-plans-retail/. Accessed June 2024.

56%



Share of acquirers that would most prefer merchants offer their customers **general-purpose credit card-linked plans**, followed by BNPL, at 42%

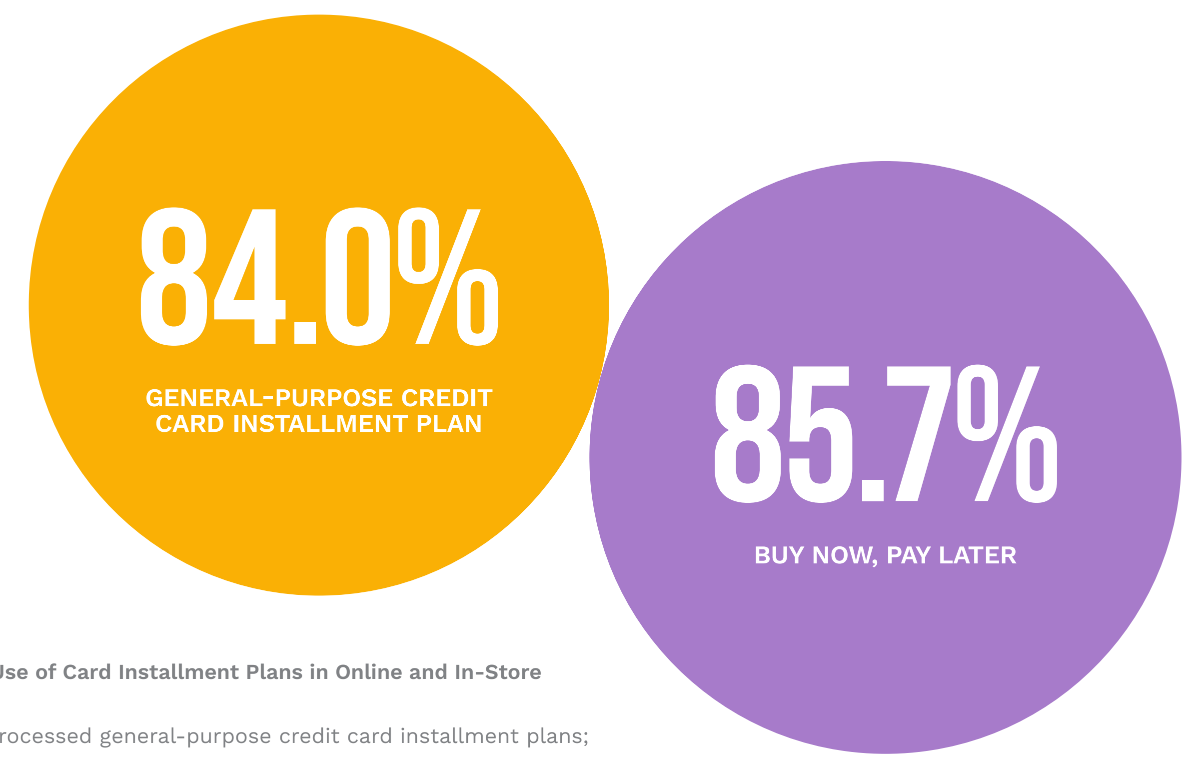
Acquirers report satisfaction with pay later options' ROI and benefits, with general-purpose credit card-linked installment plans particularly strong for client satisfaction and retention.

Data shows that the grand majority of acquirers are satisfied with their ROI on pay later plans. More than 4 in 5 acquirers report satisfaction with what they get for both general-purpose card-linked installment plans and BNPL programs, at 84% and 86%, respectively. This suggests that the appeal of these plans is broad — and a further analysis reveals other key benefits they perceive from supporting the plans.

Some of these significant advantages they perceive, our data finds, include simplified payment processes (cited by more than 9 in 10 acquirers) and overall competitive advantage (cited by at least 87%). This is logical, as these plans enhance customer satisfaction through their flexibility, which can drive higher sales volumes and larger transaction sizes. And through working with a trusted third party, integrating general-purpose credit card-linked installment plans can be as straightforward and cost-effective, while, as Figure 4 finds, offering one key leg up on other plans such as BNPL.

FIGURE 3:

Pay later plan satisfaction
Share of acquirers that are at least somewhat satisfied with the ROI when offering business clients' individual customers the option to pay using a pay later plan



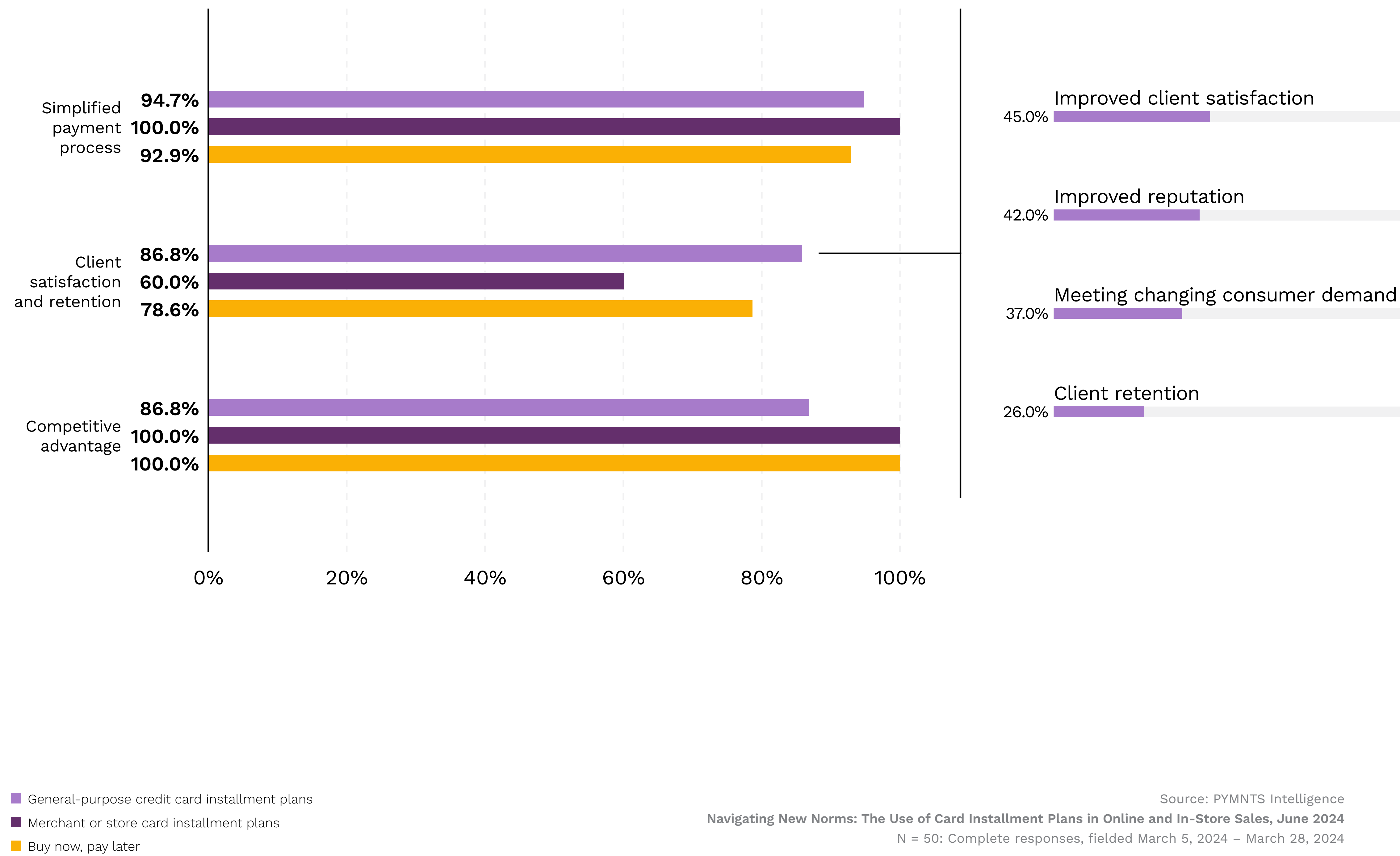
Source: PYMNTS Intelligence
Navigating New Norms: The Use of Card Installment Plans in Online and In-Store Sales, June 2024
N = 27: Acquirers that have processed general-purpose credit card installment plans;
N = 14: Acquirers that have processed BNPL installment plans, fielded March 5, 2024 – March 28, 2024

Acquirers revealed that general purpose credit card-linked installment plans are particularly strong with client satisfaction and retention. At 87%, more acquirers reported obtaining these benefits from general purpose credit card-linked plans than for BNPL (79%) or plans linked to merchant or store cards (60%). Within that category of benefits, a closer analysis of our data reveals that 45% of acquirers reported general-purpose card-linked installment plans improved client satisfaction in general, 42% noted improved reputation, 37% noted they better met shifts in consumer demand and 26% cited better client retention specifically.

FIGURE 4:

Top pay later plan benefits

Share of acquirers citing benefits obtained from supporting select pay later plans



Source: PYMNTS Intelligence
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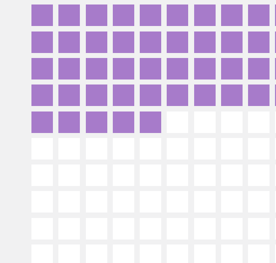
While almost all acquirers support credit card-linked installment plans during checkout, fewer have the capability to offer these plans without third-party integration.

Some acquirers have begun implementing plans they previously intended to support at checkout. Notably, 45% of acquirers that do not currently enable their business clients — merchants offering their customers pay later options — to use general-purpose credit card-linked installment plans before checkout are now planning to implement this feature. This represents a sizable increase of 15% among acquirers planning to support this installment type over the past six months, highlighting growing recognition among acquirers that offering flexible payment solutions earlier in the customer journey could have a significant impact on purchasing decisions. This timing could boost sales, as consumers make more or larger purchases using pay later plans.



45%

Share of acquirers that do not support general-purpose credit card-linked installment plans but **would like to innovate this feature to offer them before checkout**

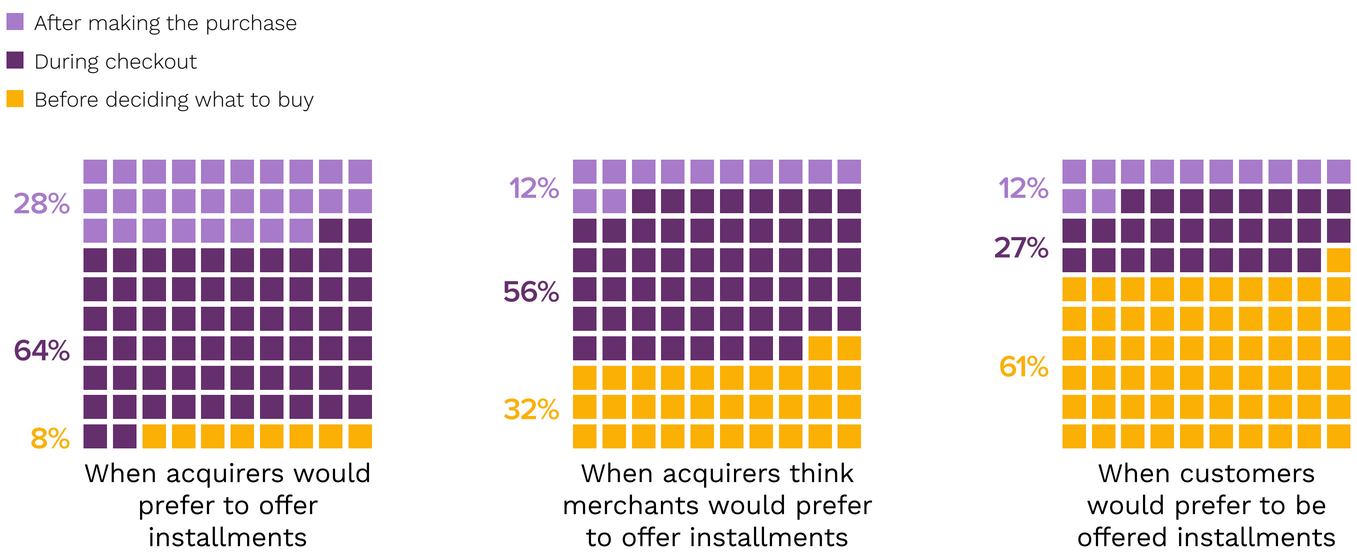
While 64% of acquirers favor offering pay later options during checkout, there is a big gap between this preference and their perceived preferences of merchants and consumers. According to the latest data, only 32% of acquirers think merchants prefer to introduce plans before checkout, contrasting sharply with the 61% of consumers who express a preference for learning about these options at the beginning of their shopping experience.

This discrepancy represents a significant alignment challenge, as acquirers continue to prioritize transaction-end offerings in the face of clear consumer demand for earlier access to payment information — a situation that puts their clients, the merchants, in a difficult position. This situation highlights the need for acquirers to realign their strategies to better satisfy merchant and consumer expectations.

FIGURE 5:

Pay later offer timing

When during checkout acquirers and consumers prefer to offer/be offered a pay later plan



Source: PYMNTS Intelligence

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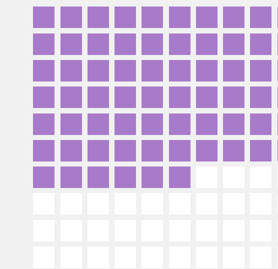
Almost half of firms fear their business clients might switch to a different acquirer to offer pay later options to customers.

This anxiety about switching is evident among firms both large and small, with all recognizing the critical value that installment plans represent to merchants. The ability to offer flexible payment solutions thus is not merely an add-on service but a potential dealbreaker that could deeply influence a merchant's loyalty. Acquirers recognizing this may need to adapt their services to retain and attract clients, suggesting that those who can already provide comprehensive and accessible pay later options could secure a competitive advantage in retaining business clients.

In response, a growing share of acquirers have started to focus on innovating their capabilities for processing payments via card-linked plans. Currently, 52% of firms are planning or currently implementing innovations to their card-linked installment payment offerings in the next 12 months. The data on this trend highlights the role of large acquirers in leading innovation, with 19% of firms generating $1 billion or more in annual revenue already actively innovating their offerings and another 48% planning to do so in the next 12 months.

Although larger firms are more likely to be currently innovating in this area, the data also reveals that a larger share of smaller acquirers are planning to enhance their installment payment capabilities over the coming year. This proactive approach from 57% of small acquirers suggests that these firms are hoping to secure greater market share by supporting merchants in their efforts to accommodate evolving consumer payment preferences.

66%

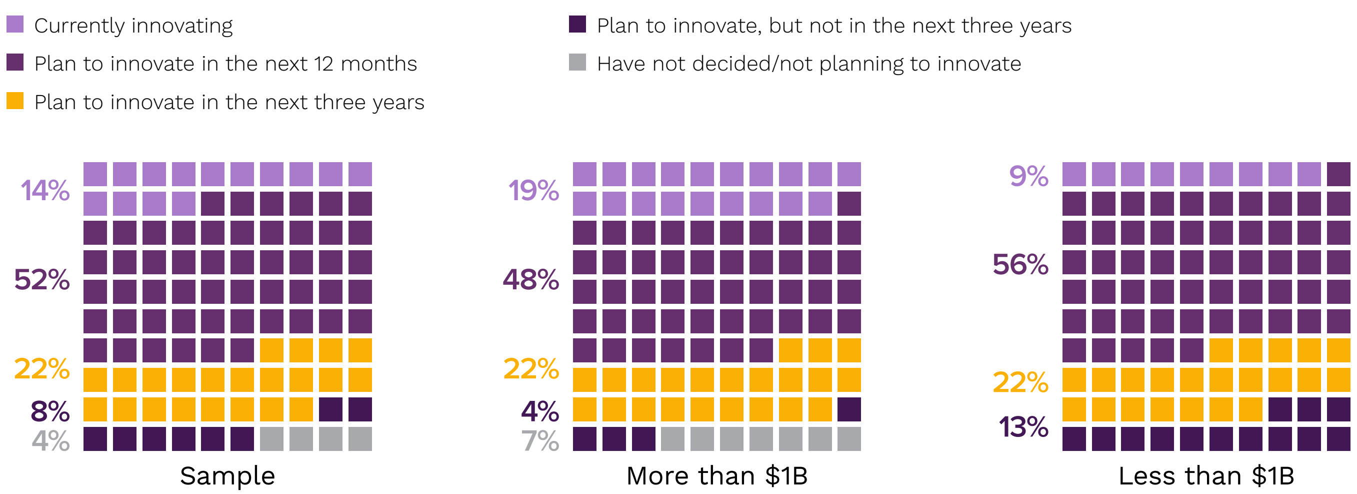


Share of acquirers that are **planning or currently implementing innovations** to their card-linked installment plan offerings

FIGURE 6:

Larger acquirers leading the charge in pay later innovation

Share of acquirers that are innovating or planning to innovate their capabilities to process payments for their business clients' sales to individual customers via pay later plans with credit or merchant/store cards



Source: PYMNTS Intelligence

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> Large acquirers are leading innovation, with 19% of firms generating $1 billion or more in annual revenue already actively innovating their offerings and another 48% planning to do so in the next 12 months.

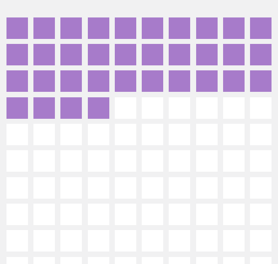
DATA FOCUS

A significantly larger share of businesses have accepted BNPL for online than for in-store purchases.

Overall, acquirers agree that allowing their business clients to offer individual customers the option to pay with a card-linked plan would make them more likely to sell more items or more likely to sell higher-priced items.

A consensus has formed among acquirers that offering card-linked plans significantly influences consumer purchasing behavior, making customers more inclined to either purchase more or opt for higher-priced items. More than 80% of acquirers believe that providing card-linked installment plans leads to increased sales volume — a substantial increase from the 64% recorded six months ago.

This increase indicates a maturing market where merchants' initial enthusiasm for pay later plans has evolved. These plans boost overall sales volume more significantly than transaction value, suggesting the interest in their potential impact on selling higher-priced items has stabilized. The share of acquirers that think their merchants are likely to sell higher-priced items or services if they offered individual customers the option to pay with a card installment plan before deciding what to buy fell from 68% in October 2023 to 52% in April 2024.



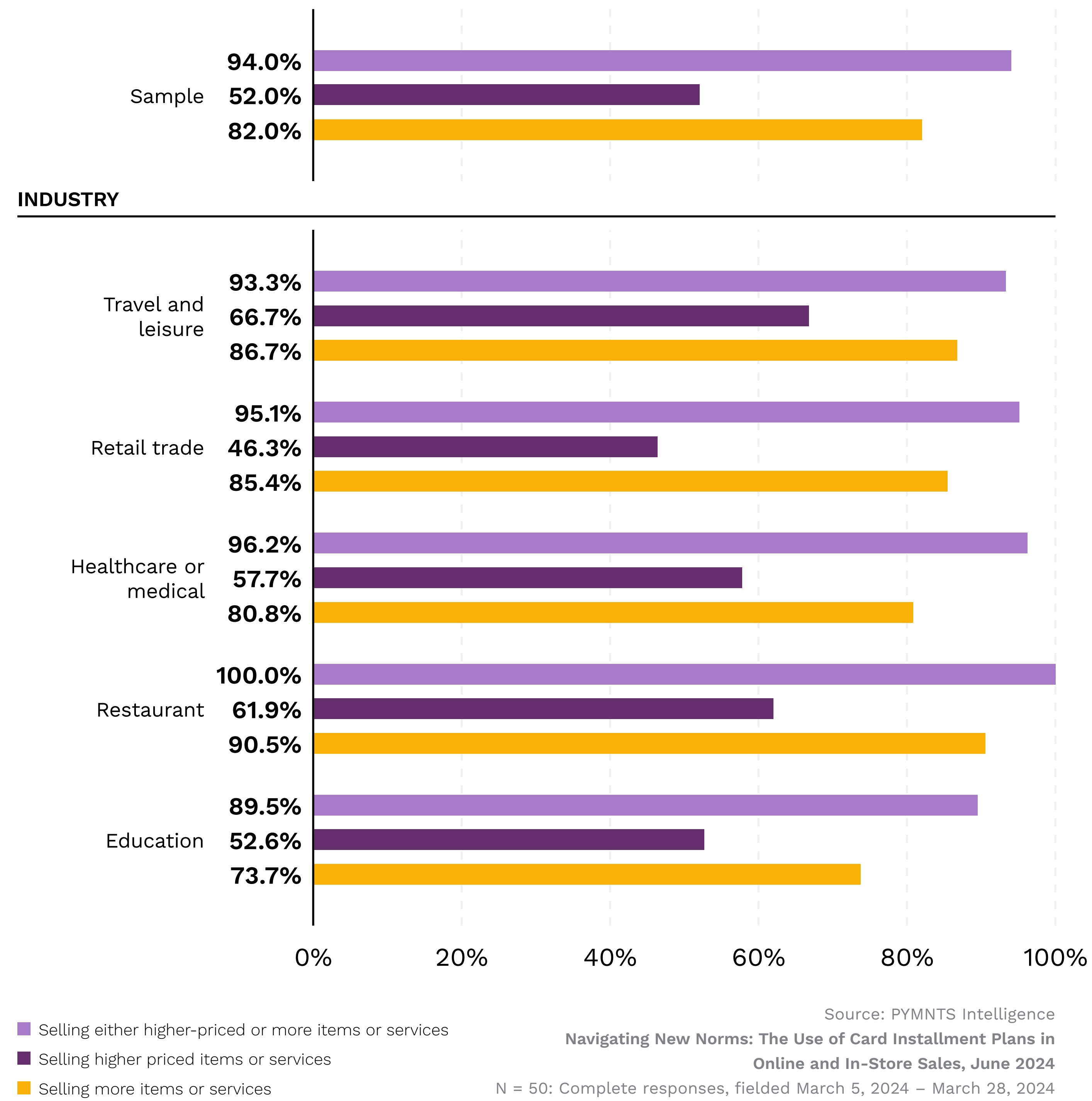
34%

Share of acquirers that believe card-linked plans **lead to businesses selling more items**

FIGURE 7:

Acquirers believe that pay later plans support selling more or higher-priced items

Share of firms that think their merchants are likely to sell higher-priced or more items or services if they offered individual customers the option to pay with a card installment plan before deciding what to buy



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ACTIONABLE INSIGHTS

01

With 61% of consumers expressing a preference for learning about pay later options before deciding what to buy, acquirers should consider advancing the availability of these payment methods earlier in the shopping process. Facilitating this shift could significantly enhance customer experience and align more closely with consumer and merchant expectations.

02

Acquirers should prioritize general-purpose credit card-linked installment plans due to their strong impact on client satisfaction and retention. With nearly 9 in 10 acquirers reporting client-related benefits from these plans, they outperform the alternatives in client satisfaction in particular. Through working with third parties to integrate card-linked plans, both acquirers and merchants can benefit.

03

With 52% of acquirers, especially larger ones, planning to innovate installment payment capabilities in the next year, it is crucial for all acquirers to consider enhancing their technological frameworks. This can ensure they remain competitive and responsive to the evolving needs of merchants and consumers.

04

Acquirers should customize their pay later offerings to match the distinct preferences and purchase behaviors of various consumer segments and transaction sizes. By providing a range of options, acquirers can better serve their merchants and appeal to a broader customer base.

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METHODOLOGY

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- Provide payments processing services to clients
- Have clients in eCommerce/eTail, education, restaurant, healthcare or medical, retail trade, and travel and leisure
- Have more than half of their customers' processed payments being for sales to individuals
- Process payments from credit cards, merchant/store cards or BNPL

THE PYMNTS INTELLIGENCE TEAM THAT PRODUCED THIS REPORT

Karen Webster
CEO

Story Edison, PhD
Senior Analyst

Tomás Coronel
Analyst

Scott Murray
SVP and Head of Analytics

Adam Putz, PhD
Senior Writer

Ozgur Avci, PhD
Senior Survey Designer

ABOUT

PYMNTS INTELLIGENCE

PYMNTS Intelligence is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multi-lingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

splitit

Splitit powers the next generation of commerce innovation through its merchant-branded card-linked installments 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, card-attached experience embedded into their existing purchase flow.

We are interested in your feedback on this report. If you have questions, comments or would like to subscribe, please email us at feedback@pymnts.com.