The New Installment Payment Landscape

Introduction: Not All Financing is Created Equal

The pace of innovation in the alternative finance space (payment, credit, and financial technology) continues to pick up. These innovations create more and more ways for consumers to pay, and for merchants to offer new possibilities in both physical and digital shops. But all of these options also create a paradox.

As the range of consumer and merchant benefits widens, it becomes more of a challenge for merchants to decide what to offer.

In this whitepaper, our focus will be on the most popular and effective options for installment-style payments. Consumers love the ability to break larger-ticket purchases into multiple payments. Installments have seen significant market growth. In 2017, they represented US$1.2T in volume, and have been growing 15% year over year.[1] They also enjoy "pay later" options that allow them to try a product before deciding to keep and pay for it. Many providers now offer such payment capabilities to merchants as a service. Yet, with so many options, it can be difficult to choose which create the most value for your brand.

The challenge in today's era of fintech innovation is figuring out which option makes sense for both shoppers and for merchants, with the best profile in terms of reach, ease of use, operational overhead, risk, approval rates, and ability to attract repeat shoppers and generate higher average order values. The options range from leading providers who offer global reach and zero-merchant risk to specialized providers concentrating on a small number of countries or using innovative technologies to make credit approval decisions.

This whitepaper aims to give merchants a guide to making the best choice for their needs in offering installment-style payments, with the following sections:

- An overview of shopper personas and what they expect when making purchases and choosing payment options
- A round-up of the most important factors that differentiate payment options for merchants
- The landscape of the top providers in the installment space arena, with point-for-point comparisons across providers of what they offer to shoppers and what they offer to merchants
- A perspective on merchants' criteria for making informed choices with optimal business benefits

[1] Euromonitor International, 2018

The Shopper's View

Why do shoppers want installment options in the first place? It seems on the surface that many shoppers already have credit cards, especially in the United States, where over 70% of shoppers have cards[2], compared to Europe where an average of 34% of people have credit cards[3]. With credit cards in hand, they can choose to pay over time however they like. Installment plans may even look like a throwback to a previous era, since installment plans were first introduced by retailers a century ago as a way to extend credit before consumer credit became a more formalized system.

In reality, however, not everyone has a high enough spending limit or enough available credit to make a high-ticket purchase. They may have other purchases to make within a single billing cycle. They may even simply find five payments of $100 less intimidating than one payment of $500; the psychology of priceattitudes is highly nuanced.

In other words, merchants cannot always assume that shoppers both have and want to use the available credit needed to make a purchase. Sometimes, the factors tilt toward need and credit availability. Other times, the factors hinge more on preference and convenience. In still other scenarios, the deciding preference is a desire to manage their budget, or a wish to purchase a higher ticket item without absorbing it onto one month's credit statement, thereby using most of their credit line in a single billing cycle.

Simply put, the flexibility of typical card-based credit, despite its many conveniences, still does not deliver the full range of flexibility that shoppers may want.

Think of the following shopper personas:

The Student

- May only have a debit card
- May have a credit card with low limits
- Building a credit history from scratch
- Employment situation not ideal for approval decisions

The Young Professional

- Likely has 2 or more credit cards
- Often juggles balances across cards
- Has about US$5,000 in total credit
- Has potential for increasing income

The Mature Adult

- Likely has 2 or more credit cards
- Likely also has other debt (auto, mortgage)
- Has greater credit potential, but may not want to carry interest
- Household and family needs may require higher ticket items

The Retiree

- Has fixed or less flexible income and budget
- Likely to be more conservative with monthly expenses
- Unlikely to want to incur new debt or apply for new credit
- Potentially facing other high expenses (e.g., health/wellness)

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[2] U.S. Census Data

[3] The highest value was in Norway: 70.5 percent and the lowest value was in Albania: 8.02 percent. Source: World Bank, via The Global Economy (https://www.theglobaleconomy.com/rankings/people_with_credit_cards/Europe/)

Each of these shoppers will face different purchase scenarios where they do not want to pay the entire amount or to put the entire amount on a credit card immediately. Not offering installment options risks turning away these shoppers who would otherwise make a purchase with you. Some may want to build a credit history through regular payment of their balance. Some may wish to keep their available credit usage low. They may decide to defer the purchase entirely, to save up for it, or, worst of all, find a competitor who does offer easy-to-use installment options.

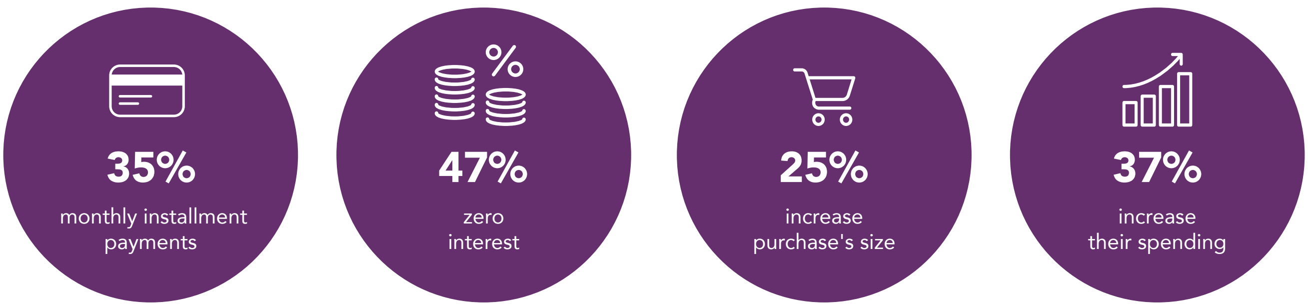
Make It Simple

Creating friction during the checkout process is the surest way to frustrate and turn away customers. In a recent Splitit survey[4], we found 87% of online shoppers will abandon their carts during the checkout process if the process is too complicated, and 55% of all online shoppers would actually never return to site. Regardless of the payment options that are offered, making them easy to execute is an imperative. As we note below, the cost implications here can be significant.

As for payment options, shoppers across all segments are reluctant to lose control of their cash flow or add additional credit to their typically high levels of existing credit card debt. This reluctance to overextend themselves moves the needle towards seeking interest-free monthly installment payments.

Splitit's research has found:

- 35% of shoppers are more likely to make a purchase online if offered the ability to pay in **interest-free monthly installment payments**
- 47% of online shoppers say the availability of **zero interest** is the most important consideration when choosing an installment plan
- 25% of online shoppers would **increase the size of their purchase** if they had the option to choose interest-free monthly installment payments[5]
- As many as 37% of travelers would **increase their spending in certain categories** from entertainment to travel updates if installments are made available to them[6]



[4] Released August 2018 (https://www.prweb.com/releases/retailers_beware_87_of_online_shoppers_will_abandon_cart_if_checkout_process_lengthy_or_complicated/prweb15676895.htm)
[5] Released October 2018 (https://www.prnewswire.com/news-releases/splitit-survey-finds-35-of-shoppers-more-likely-to-purchase-online-if-offered-interest-free-monthly-installment-payments-300731814.html)
[6] Source: Splitit, "Affording Summer Travel 2019," (https://www.splitit.com/wp-content/uploads/2019/06/Summer-Travel-2019-Final.pdf)

A global perspective is also essential. Research consistently shows that cross-border shopping is on the rise. Research from eMarketer found that 56% of consumers shop far beyond their geographic boundaries. Moreover, while card-based transactions represent 75% of all e-commerce purchases in the U.S., by 2020, nearly 80% of all global e-commerce purchases will be made using alternative payment methods. Failing to offer alternatives means alienating as many as half of shoppers, the same study found; half of consumers have abandoned an online shopping cart because their preferred payment method was not supported.[7]

Finally, offering the ability to "try before you pay" overcomes another barrier to purchase with shoppers. A separate eMarketer study found 74% of U.S. internet users believed the ability to try items before they completed payment for them would help encourage them to make a purchase decision.[8]

Make It Trustworthy

Shoppers prefer payment methods that they deem to have the highest level of security.[9] Separately, a joint study from Visa and PYMNTS found nearly 80% of shoppers have concerns over data security and the privacy of their data. The concerns are rising. These findings were 11 percentage points higher than in 2017.[10] This "high alert" mentality means that any alternative payment option made available to shoppers must inspire trust. Shoppers have little psychological room for experimentation when it comes to their bank and credit accounts. While some shoppers do actively seek out new lines of credit, for example, when building a credit history, many may be uncomfortable sharing the additional data required to obtain credit approval, whether it be an online shopping cart or a physical point of sale.

As a result, installment or pay-later options must be offered to shoppers with a maximum of reassurance. The more data shoppers have to provide, the more unfamiliarity they encounter, the more reluctant they are likely to become. At the same time, they already have placed trust their existing credit card providers and banks. This situation strongly favors simplifying the ways that shoppers select an alternative option, and it also strongly favors solutions that leverage the existing security they benefit from, such as that built into their debit and credit cards.

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[8] Source: "US Internet Users Who Believe the Ability to Try Items Before Paying Would Remove a Barrier to Digital Shopping," May 2018. https://www.emarketer.com/Chart/US-Internet-Users-Who-Believe-Ability-Try-Items-Before-Paying-Would-Remove-Barrier-Digital-Shopping-May-2018-of-respondents/219885

[9] Source: "Global Online Payment Methods 2019," March 2019. https://www.researchandmarkets.com/research/z85dps/global_online?w=12

[10] Source "How Will We Pay," December 2018. https://www.pymnts.com/how-we-will-pay/

Make It Excellent

While it may seem obvious, it remains vital to point out that merchants have to offer shoppers an excellent shopping experience. This is true end-to-end, from finding products to post-purchase scenarios. In addition to ease-of-use, this pertains to the payment experience, too.

As the grid below shows, payment providers have a range of options in the experience they offer to consumers. Of the 10 providers covered in this whitepaper:

5

Five charge an interest rate on payments.

9

Nine charge late fees.

1

One reports late payments to credit bureaus.

1

One provider charges a monthly account fee.

While fees have a clear logic for the provider as a way to create revenue streams and lower risks, they also create unintended consequences with shoppers. Late fees, penalties, and interest rates that may seem high with respect to other credit options all create a negative experience. That experience tarnishes your brand as a merchant because it seems to shoppers that you put them in that situation. The risk is that offering alternative options to your shoppers may create a segment of "brand resenters" who will not shop with you again, and who may even detract your brand with friends and family. Offering shoppers an option that costs them nothing in terms of additional APRs or fee structures is a significant factor for merchants to consider.

[11] AdStage, "Google Search Ads Benchmarks - Q1 2018," (https://blog.adstage.io/google-adwords-benchmarks-q1-2018)

The Merchant's View

In addition to serving consumer needs with a range of payment options that decrease cart abandonment rates and increase Average Order Value (AOV), covered above, merchants have their own set of factors to consider.

Cost of customer acquisition is a primary consideration. As every merchant knows, advertising costs are going up on all of the major platforms, no more so than Google and Facebook. Cost-Per-Click (CPC) started off as a very inexpensive way to bring potential customers to your site. In research last year, AdStage has found search ads CPCs surged to an average $2.76 per click in Q1 2018 versus Q1 2017, an increase of 117%.11 The increases fluctuate by product category, platform, and over time. Nevertheless, as rates have risen and ad spending becomes somewhat of an arms race, merchants now must pay even more attention to what happens after that initial acquisition. Customer attrition for any reason, from slow product pages to complicated checkout processes, has a huge impact on the ROI of your ad spend.

Beyond acquisition costs, setup costs, level of effort, and operational overhead all can add to the total cost of ownership of an installment solution. These all erode margin. Foreign exchange rates can also further erode margin if the solution is not truly multi-currency. Keeping in mind that margins on many categories of goods and services can already be tight, and merchants have other costs to consider around order fulfillment, customer service, and treasury management, simplicity becomes key when considering offering alternative finance options to shoppers. The one piece of good news here is that all major providers have made good efforts to integrate well with most e-commerce platforms (but of course the first piece of due diligence for merchants is to make sure theirs is supported and works well with the specific ways in which they have configured it).

Analysis from global management consultancy Oliver Wyman recommends a three-pronged approach to thinking about payments: 1) Manage total cost of payments; 2) Use payments to increase revenues; and, 3) Leverage payments as a loyalty tool to grow business.[12]

First, while most alternative finance providers handle the credit approval process, it does create an additional workflow in the general order-to-cash process. Merchants who use options that require a shopper to apply for financing are placing themselves in the middle of additional steps to register or apply for credit on a transactional basis.

Second, providers who are directly extending credit to shoppers create an additional approval process and additional costs to the consumer. Although these approval decisions can happen relatively quickly, it does create a delay in a world of e-commerce where consumers increasingly seek instant gratification no matter how they shop. In many cases, these consumer financing options require a lengthy application and request personal details such as social security numbers. This makes the process cumbersome and raises consumers' privacy concerns. In the provider model that uses the shopper's existing credit, approval occurs within the same matter of seconds that shoppers expect from a traditional card-based transaction. The order workflow can quickly determine and approve the transaction based on the shopper's available credit or debit balance.

Third, while the majority of providers do make this relatively simple for the merchant to absorb, it does create a point of additional technical complexity as data must be passed through the merchant's e-commerce platform to the end provider who is evaluating and deciding on credit applications. Emerging data privacy regimes such as Europe's

[12] Oliver Wyman, "MAKING PAYMENTS WORK FOR YOU," 2018

GDPR, California's CCPA, and other anticipated schemes in other markets mean that the less consumer data you need to handle, the lower your risk to unintentional exposure across data privacy laws which vary from market to market.

Conversely, alternative financing providers that are simply passing data through traditional credit card processing routes both simplify the process and eliminate credit risk. They also benefit from the level of investment in privacy and security that card networks and banks have already made in protecting the end consumer.

In addition, different providers' revenue models can add cost to the merchant with additional set-up fees and payment processing fees over and above the standard merchant fees charged by the merchant's bank. In some cases, these require special negotiations and contracting fees with the alternative financing provider.

Fourth, the "pay later" model offered by many providers alongside installment payments offers enormous benefits to merchants. It establishes trust with the consumer by demonstrating that merchants stand behind their product. It also helps better manage products with a high return rate. Despite merchant fears that pay later solutions end up increasing return rates, they have a powerful impact on shopper loyalty and likelihood to repeat purchases in the future. According to Narvar, a full 96% of shoppers would shop with a retailer again based on an "easy" or "very easy" return experience.13 In addition, refunding a payment is complex and costly, both from a transaction processing and a customer service perspective. Consumers who choose to return may do so regardless of payment options. Pay later models have an advantage here because they allow merchants to limit costs of processing returns by simply handling the logistics of receiving and restocking the returned item.

Finally, not all providers offer the same terms for payment settlement. Some, including Splitit, ensure that merchants are always paid on time and under existing terms and conditions. Others may delay payment until all individual installments or pay-later payments are made, raising the risk of returns, stop-payments, charge reversals, refunds, and similar hassles. As merchants know, anything more complex than reverting funds back to the shopper's credit card can be both time-consuming and costly.

As the grid below shows, payment providers have a range of options in the experience they offer to merchants. Of the 10 providers covered in this whitepaper:

4

Four charge additional setup fees.

2

Two charge both transaction and FX fees as part of their revenue model.

2

Two determine per transaction fees during the contracting process.

1

One provider charges no additional merchant fees but is only available in one country.

[13] Source: Narvar, "The State of Returns: What Today's Shoppers Expect."(https://see.narvar.com/rs/249-TEC-877/images/Consumer-Report-Returns-2018-4.3.pdf)

Provider Roundup

Affirm

Affirm allows shoppers to take out a loan for a purchase. Shoppers can choose terms of three, six, or 12 months, with terms up to 36 months available at select merchants. APRs ranging from 10% to 30% and other terms are subject to approval. Affirm also will make 0% APRs available with select merchants that bear higher costs. In addition, shoppers can create an Affirm virtual card for one-time use at any merchant that accepts credit card, Apple Pay, or Google Pay. The company positions itself as a cutting-edge technology disruptor that leverages AI beyond traditional credit scoring to approve loans. The company is based in San Francisco and was founded in 2012. Its CEO is a co-founder of PayPal. It has raised a total of $1B in funding over 7 rounds. Affirm does not disclose financials, but revenue is estimated between US$50M and US$100M. Better Business Bureau (BBB) rating: A

Afterpay

Afterpay allows shoppers to pay for a purchase over 4 equal installments, due every two weeks starting from the time of purchase. The first installment is paid at the time of purchase. It is currently available in the Netherlands and Belgium, with plans to expand more widely to other European Union countries. Afterpay has also launched in Australia, New Zealand, the United Kingdomand the United States. Afterpay is a Netherlands-based company traded publicly on the Australian Securities Exchange with a market capitalization of approximately US$4.2B as of May 2019. It was founded in 2010 and acquired by Arvato Bertelsmann in 2014. Better Business Bureau (BBB) rating: F

Divido

Divido positions itself as an enterprise SaaS lending platform at the point of sale, with retailers as one of two main B2B segments. Retailers can access and integrate Divido's point-of-sale finance platform for purchases. It offers retailers a range of offerings connecting to multiple lenders, including 0% interest, interest-bearing, buy now pay later, B2B, credit line, guarantor loans, and more. It is currently available in Denmark, Finland, Germany, Norway, Sweden, United Kingdom, USA, Spain, and France. The company is headquartered in the U.K. and has raised US$19M in funds as of May 2019. Better Business Bureau (BBB) rating: Not rated

Klarna

Klarna offers a range of payment options: shoppers can pay later in full after 30 days, pay in four installments over a two-month period, or finance a purchase with monthly payments, with different options available in individual country markets. Klarna Bank AB is a regulated banking company headquartered in Sweden with an international headquarters in Columbus, Ohio (U.S). It operates in 14 countries. The company was founded in 2005 and is privately held, with total operating revenues over US$550M as of the end of 2018. Better Business Bureau (BBB) rating: B

PayBright

PayBright allows shoppers to apply for monthly payment options on a range of products and services. It then pays the merchant directly. Merchants may offer 0% promotional interest rates. Otherwise, APRs typically start from 7.95%, depending on the shopper's credit. Shoppers pay convenient pre-authorized monthly or semi-monthly payments from a designated bank account. The company operates in Canada only. Founded in 2012, it is based in Toronto and is privately held. It also operates as Health Smart Financial Services in the healthcare sector. Financials are not disclosed. Better Business Bureau (BBB) rating: A+

*All data and information as of July 2019

Provider Roundup

PayPal Credit

PayPal Credit offers shoppers a reusable line of credit that includes the option for 6 months of special financing on purchases over US$99. The line of credit is open to eligible U.S. PayPal account owners. It is also available in the U.K. and select other countries, but the details of the offering vary from country to country. It may be used with any merchant that accepts PayPal. The amount and terms are subject to approval. As of March 2019, U.S. consumers are approved with a Variable APR of 26.24%. PayPal does not disclose transaction volumes or revenues from its PayPal Credit product line. It acquired the capability through an acquisition of Bill Me Later in 2008. Better Business Bureau (BBB) rating: A+

Quadpay

Quadpay allows shoppers to split purchase amounts into four interest-free payments, spread over six weeks, by linking payments to the shopper's credit or debit card. It is available in the U.S. only. Shoppers pay 25% of the purchase price upfront as a first payment. It is a U.S. based company headquartered in New York, founded in 2017. The company raised its initial funds from Global Founders Capital in a seed round in May 2018 and does not disclose its financials. Better Business Bureau (BBB) rating: C

Sezzle

Sezzle allows shoppers to split purchase amounts into interest-free payments payable every two weeks, by automatically charging recurring payments to the shopper's credit or debit card. It is available to shoppers in the U.S. and Canada for both U.S. and international merchants. The company is based in Minneapolis, MN, U.S, was founded in 2016 and has raised a total of US$116.6M in funding through seed, venture capital, and US$100M in debt financing. Better Business Bureau (BBB) rating: F

Splitit

Splitit is an installment payment provider, available globally wherever credit cards are accepted. It offers payment options charged directly to shoppers' existing credit or debit cards. Merchants may allow shoppers as many as 36 monthly installments. Payments are interest and fee-free for the consumer and do not require additional registration or applications. Splitit also offers a specialized B2B version of the installments product and a separate "pay later" product with a flexible delayed payment window of up to 90 days. SplitIt is headquartered in New York, was founded in 2012, and is publicly traded on the Australian Securities Exchange with a market capitalization of approximately US$172M as of May 2019. Better Business Bureau (BBB) rating: A+

Zip Pay / Zip Money

Zip Pay, offered by Zip Co, provides line-of-credit financing to shoppers at 0% interest for purchases under AU$1,000 (under its Zip Pay brand) and variable rates and terms for purchases over that amount (under its Zip Money brand). It is able to acquire prime, near prime, and emerging prime borrowers via a cloud-based platform that leverages proprietary technology and big data analytics. The company is based in Sydney and is a licensed and regulated credit provider in Australia only. It trades publicly on the Australian Securities Exchange with a market capitalization of approximately US$890M as of May 2019. Better Business Bureau (BBB) rating: Not rated

*All data and information as of July 2019

Consumer Features

Provider	Credit Check	Credit Application	Availability	Interest[14]	Late Fees	Installments
Affirm	Yes	Yes	▪ United States (ex. Iowa and West Virginia) ▪ Online ▪ Brick and Mortar ▪ Participating merchants with an option for any credit-card merchant	Varying rates of 10% to 30%[15]	1.5% of purchase; reported to credit bureaus	Typically 3-12; 36 with select merchants
Afterpay	Yes	Yes	▪ Belgium/Netherlands ▪ New Zealand, United Kingdom, United States ▪ Online ▪ Participating merchants	0%	Initial $8 and a further fee of $8 every 7 days	Yes (a total of 4, with the first paid upon order)
Divido[16]	Depends on merchant implementation and lender	Depends on merchant implementation and lender	▪ 9 countries ▪ Any POS ▪ Participating merchants	0% promo; varying rates	Depends on merchant implementation and lender	Depends on merchant implementation
Klarna	Yes[17]	Yes	▪ 14 countries ▪ Online[18] ▪ Participating merchants	19.99% - U.S. 18.9% - U.K.	Up to $10 (U.S.)	4[19]
PayBright	Yes	Yes	▪ Canada ▪ Online ▪ Brick and mortar ▪ Participating merchants	0% promo; varying rates starting at 7.95%	Yes (unspecified)	Yes (up to 60 months)

[14] Shoppers are responsible for any interest terms associated with their underlying credit card
[15] Varying interest rates are determined by shopper's credit rating
[16] Divido is a B2B solution. Shoppers interact directly with the merchant and are matched with a lender during any transaction
[17] Does not apply to "Pay In 4" Installment option
[18] Can be extended with additional in-store checkout options
[19] Other options available in individual country markets
*All data and information as of July 2019

Consumer Features

Provider	Credit Check	Credit Application	Availability	Interest[14]	Late Fees	Installments
PayPal Credit	Yes	Yes	▪ United States ▪ Select other countries (incl. U.K.) ▪ Online ▪ Where PayPal is accepted	26.24%[20] (U.K. - 19.9%)	Up to $38	No (minimum monthly payments)
Quadpay	No	No	▪ United States ▪ Online ▪ Participating merchants	0%	Up to $14 (also $1 fee per installment)	4, with initial installment paid upfront
Sezzle	Yes	Yes	▪ United States and Canada ▪ Online ▪ Participating merchants	0%	$10	4, with initial installment paid upfront
Splitit	No	No	▪ Global ▪ Online ▪ Brick and Mortar ▪ Participating merchants	0%	No	Up to 36
Zip Pay / Zip Money	Yes	Yes	▪ Australia ▪ Online ▪ Participating merchants	0% (Zip Pay); varying rates up to 19.9% (Zip Money). Both products bear a AU$6/ month account fee	AU$5	No (minimum monthly payments)

[20] As of March 2019. PayPal Credit's APR is variable. Special rates offered for payment within six months
*All data and information as of July 2019

Merchant Features

Provider	International Capability	Payout Terms and Periods	Credit and Fraud Risk	Integration	Costs	Business Benefits[21]
Affirm	Available to merchants in the U.S.	Next business day ACH	Assumed by provider	Most major e-commerce platforms; API available	Affirm charges merchants 2-3% percent of each transaction, and shoppers' fees start as low as 6% depending on their payment history.	▪ 20% conversion increase ▪ 87% AOV increase
Afterpay	Available to merchants in Belgium and Netherlands only	Typically within 2 business days ACH	Assumed by provider	Most major e-commerce platforms and payment service providers	Per-payment processing	▪ 22%+ increase in conversion (U.S)[22] ▪ 20-30% increase in average order value
Divido	Multiple markets and currencies in North America and Europe (9 available, 7 coming soon)	Real time	Assumed by underlying lender	Most major e-commerce platforms; POS/terminal integration options; call center integration options	Customized pricing based on agreement with the merchant.	Claims to convert more customers, increase average order values, and improve customer retention
Klarna	Available in 14 countries[23]	Two-day processing time plus next-day ACH	Assumed by provider	Most major e-commerce platforms; POS/terminal integration options	Pricing options defined in contract terms	▪ 30% higher conversions[24] ▪ 58% AOV increase ▪ 15% AOV increase[25]
PayBright	Available to merchants in Canada only	Next business day	Assumed by provider	Most major e-commerce platforms	No cost to merchant	▪ 25% sales conversion ▪ 80% AOV increase ▪ 15% revenue increase per customer

[21] Data sourced from provider websites. AOV: Average Order Value
[22] 15% in Belgium/Netherlands
[23] Klarna is locally regulated within each market
[24] For "Slice It" installment offering
[25] For "Pay Later" option
*All data and information as of July 2019

Merchant Features

Provider	International Capability	Payout Terms and Periods	Credit and Fraud Risk	Integration	Costs	Business Benefits[21]
PayPal Credit	Yes (wherever PayPal is available)	Within minutes (to merchant's Paypal account)	Assumed by provider	Not applicable assuming the merchant already accepts PayPal	2.9% plus $0.30 per transaction (US); 4.4% of the transaction amount plus a fixed fee based on the currency[26]	▪ 42% of shoppers purchase more ▪ 214% AOV increase
Quadpay	Available to merchants in United States, Australia, and New Zealand	Next-day via Stripe	Assumed by provider and underlying credit card	Most major e-commerce platforms; API available	Per-transaction processing fee	▪ 20% conversion rate increase ▪ 60% AOV increase
Sezzle	Available to merchants based outside North America	Batched; next-day to 7 days; currency conversion	Assumed by provider	Most major e-commerce platforms; API available	Per-settlement processing and FX fees	▪ 10% sales increase ▪ 41% AOV increase ▪ Over 80% approval rates
Splitit	Global	Varies by payment processor	Zero risk. All credit and fraud risk are assumed by underlying credit card	Most major e-commerce platforms; API available	Per-transaction processing fee plus nominal per installment fee (with no merchant or setup charges added)	▪ 12% sales increase ▪ 80% AOV increase
Zip Pay / Zip Money	Available to merchants in Australia only	Daily	Assumed by provider	Most major e-commerce platforms; API available; POS/terminal integration options	Tiered per-transaction fees based on volume	▪ 30% sales volume increase ▪ 70% AOV increase ▪ 80% repurchase rates

[26] In-store fees are 0.2% lower and do not incur a transaction fee
*All data and information as of July 2019

Conclusion

Current trends in shopper preferences for payment flexibility and the range of emerging options for alternative financing make installment-based and pay-later options a great choice for most merchants. These options make sense beyond the world of e-commerce, too, as Point Of Sale terminals in physical stores become more sophisticated. Keep in mind as well that as more merchants adopt these solutions, shoppers will increasingly expect them.

The argument for offering such options is clear. The more challenging question remains which options best suit your needs while satisfying your customers. The key takeaways are these:

- The Internet is making shopping more and more global. Be sure to **choose options that are available in countries where you may do business in the future**, not simply those that are currently in your footprint.
- Most providers offer at least some degree of lift in conversion and in Average Order Value. As you short-list your options, you should **choose those who offer the best lift** so that you are not leaving unnecessary revenue on the table.
- Make sure you **consider the provider's longevity** and likelihood of remaining in business for the long haul.
- Also **consider consumer ratings of your provider,** because negative experiences have an unfortunate way of rubbing off on your brand.
- For many shoppers, application and approval concerns do not make an attractive addition to the decision process of making higher-ticket purchases. In fact, **a significant segment of shoppers already feels unwilling or unable to take out additional credit** on top of what they already have available.
- Alternative financing options are not mutually exclusive. While it is not a good idea to offer too many types of payment option, **offering an installment option side-by-side with a consumer financing option may help** build relationships with shoppers who do in fact wish to build their credit history and increase their purchasing power.
- Confirm that the provider's **transaction limits** fit your product line. Some providers do place limits on the amount that they will split or defer.
- **Providers that offer both installment and pay later products** give you a wider range of options to offer your customers with one integration and are more likely to innovate with additional products in the future.
- Shoppers do not wish to take on unnecessary risk. The prospect of **membership fees, higher interest rates, late fees, and other downsides of traditional credit arrangements may ultimately drive them to an alternative** such as another merchant or a delayed/deferred purchase.
- And finally, only choose options that do not expose you to risks of late or no payment. You want to **be sure that you are paid in full, on time, and without accounting, refund, or customer service difficulties.**

The good news for merchants is that innovations in financing models and payment technologies create more opportunities to connect with shoppers, drive higher volume, and build loyalty, goodwill, and repeat visits. What matters in today's world is making a choice that is sustainable, risk-free, and wide-reaching to help you tap into a world of global consumers who want the goods and services you offer.