



ARTICLE

BE THE PREFERRED INSTALLMENTS PROVIDER OF YOUR CARDHOLDERS

FIS Installments

The Buy Now, Pay Later Craze

You're about to make a big purchase during checkout when you receive an offer to pay for the product in installments. This is what is known as a buy now, pay later (BNPL) offer that mimics installments and it's a growing trend among retailers where an outside company is typically the one extending the offer.

BNPL schemes allow consumers to buy something now and then pay for it at a later date. Not all schemes are the same. Credit card companies have also gotten on board, offering cardholders an opportunity to make installment payments for a set fee, an APR or free of charge.

These arrangements can be advantageous to both sellers and buyers. The ability to make multiple payments over time can make a purchase more appealing to shoppers and increase sales for merchants.

The Public Gets What the Public Wants

Emergencies happen – cars sputter, pipes leak, appliances break – and fixing these unpleasant surprises rarely comes cheap. For consumers facing an unexpected expense they cannot afford, an installment plan can be an attractive option.

In a recent survey by Ascent, 62% of users expressed the belief that BNPL could replace their credit card – although only about a quarter said they would want it to do so (source: McKinsey & Company). While it is often larger ticket items like household appliances and vacations that may trigger an installments purchase, lower-priced items (e.g., \$100) are increasingly being paid for over BNPL.

BNPL continues to win consumers over at the retail point of sale as it becomes increasingly mainstream. BNPL that is integrated into the point of sale allowed merchant sales to increase, reaching over US\$30 billion in Q2 2021, up 175% from \$17 billion in Q1 2020 (source: Aite).

As BNPL becomes increasingly ubiquitous, consumer adoption will continue to grow for vendors that offer BNPL at the point of sale. It's expected that more than 45 million people will use BNPL in the U.S. in 2022 (source: Mintel). The numbers around the BNPL market are impressive – it's a market estimated to be worth more than \$5 billion and predicted to grow by 26% by 2030 (source: Transactions and Technology July 2022).

The Post-Purchase Flavor of Installments That Competes with BNPL

A payment method whereby consumers can pay in installments and be in immediate receipt of goods is especially helpful to those facing the cost-of-living crisis. The market has expanded and so have defaults, drawing the attention of financial regulators. This is a major concern for consumers who might have preferred to use the service from their own bank – 70% of current BNPL users say they would be interested in using BNPL plans from their banks if such offerings were available. (Source: PYMNTS.com)

For financial institutions (FIs), the prospect of losing payments to BNPL disruptors needs to be addressed. With more bank customers turning to third-party BNPL services, especially on larger ticket items, banks are increasingly moving into the BNPL/installments market with post-purchase installments offerings on credit cards.

FIs may have been slow to react to the threats of BNPL, but those wishing to offer a BNPL model will find it surprisingly easy to launch. Most retail-focused FIs already offer multiple lending products to their customers, from credit cards to personal loan accounts. Offering flexible installment plan options on purchases is another product to help attract new customers and retain current ones.

As an alternative to BNPL at checkout, cardholders can now convert any purchase on their credit card into an installment plan with their established FI.

The process is simple:

- 1 Cardholder makes a purchase on their credit card
- 2 Cardholder receives a near real-time alert on their phone/email letting them know they can convert their purchase into a payback plan on installments
- 3 Cardholder selects the installment plan term they want from the plans offered by their FI (e.g., 3, 6, 9 months), agrees to T&Cs and confirms they want to convert that purchase into an installment plan
- 4 Transaction is converted into a plan with cardholder making monthly payments until the purchase is paid off

By creating a short-term payment plan, FIs allow cardholders to make purchases in a series of equal installment payments over a selected time period for a fixed fee.

Become Top of the Wallet with Post-Purchase Installments

Losing a share of transaction volume and spend to BNPL now – and more over the next few years – should be a motivator to take action. With FIS and a strategy for implementing the post-purchase installments offering, FIs have the best opportunity to stem losses and position their business for success in an increasingly competitive arena.

Here are a few ways FIs can use FIS Installments to their advantage:

- Make installments available for every purchase that that FI wants, instead of being limited to e-commerce purchases on specific merchant categories (fashion, sports equipment, etc.).
- Provide an application-free process. Cardholders can use their existing credit card and can convert to installments after purchase.
- Allow cardholders to manage their finances including installments centrally, instead of managing multiple accounts from multiple BNPL providers.

Reclaim the top of the wallet position with your credit cards for your cardholders, combat merchant and fintech encroachment and attract a wider consumer base who need budget-friendly financing terms by repackaging existing credit cards as an installment enabler.

About FIS

FIS is a leading provider of technology solutions for financial institutions and businesses of all sizes and across any industry globally. We enable the movement of commerce by unlocking the financial technology that powers the world's economy. Our employees are dedicated to advancing the way the world pays, banks and invests through our trusted innovation, system performance and flexible architecture. We help our clients use technology in innovative ways to solve business-critical challenges and deliver superior experiences for their customers. Headquartered in Jacksonville, Florida, FIS is a member of the Fortune 500® and the Standard & Poor's 500® Index. To learn more, visit www.fisglobal.com. Follow FIS on Facebook, LinkedIn and Twitter (@FISGlobal).

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