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THE LEASE-TO-OWN SECRET:

The Lease-To-Own Secret: Giving Consumers Control Over Durable Goods Purchases, a PYMNTS and Katapult collaboration, examines how lease-to-own purchasing options can give consumers greater financial flexibility when buying durable goods. The report draws from a census-balanced survey of 2,688 U.S. consumers that explored how consumers currently pay for their durable goods and how lease-to-own plans can positively impact their relationships with their favorite merchants and increase sales.

THE LEASE-TO-OWN SECRET:

GIVING CONSUMERS CONTROL OVER DURABLE GOODS PURCHASES

PYMNTS.com



The Lease-To-Own Secret was produced in collaboration with Katapult, and PYMNTS is grateful for the company's support and insight. [PYMNTS.com](https://pymnts.com) retains full editorial control over the following findings, methodology and data analysis.

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INTRODUCTION

Consumers across the United States are facing a host of financial stressors. The rising cost of living, uncertainty surrounding the pandemic and potential increases in interest rates are but a few of the issues influencing their spending decisions. Many feel especially cautious about purchasing durable goods. These are typically defined as consumer goods that do not wear out quickly and are used for over three years, including products such as sofas, beds or refrigerators.

Consumers' uncertainty and caution when it comes to spending does not eliminate their need for these goods. No one wants to forgo purchasing a bed and be forced to sleep on the floor, miss a professional opportunity because they lack the right tools or put off buying much-needed medical equipment — all of which qualify as durable goods purchases. Despite consumer confidence being relatively low, almost two-thirds of Americans reported purchasing durable goods over the past year.

Many consumers believe that they have just two viable options when it comes to purchasing durable goods: going without potential necessities or going into unsecured debt. There is another option for them to consider, however: lease-to-own purchasing. This method allows consumers to purchase the goods they need by using flexible, pay-over-time options.

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examines how lease-to-own purchasing options can give consumers greater financial flexibility when buying durable goods. The report draws from a census-balanced survey of 2,688 U.S. consumers that explored how consumers currently pay for their durable goods and how lease-to-own plans can positively impact their relationships with their favorite merchants and increase sales.

This is what we learned.

PART I: GETTING THE GOODS

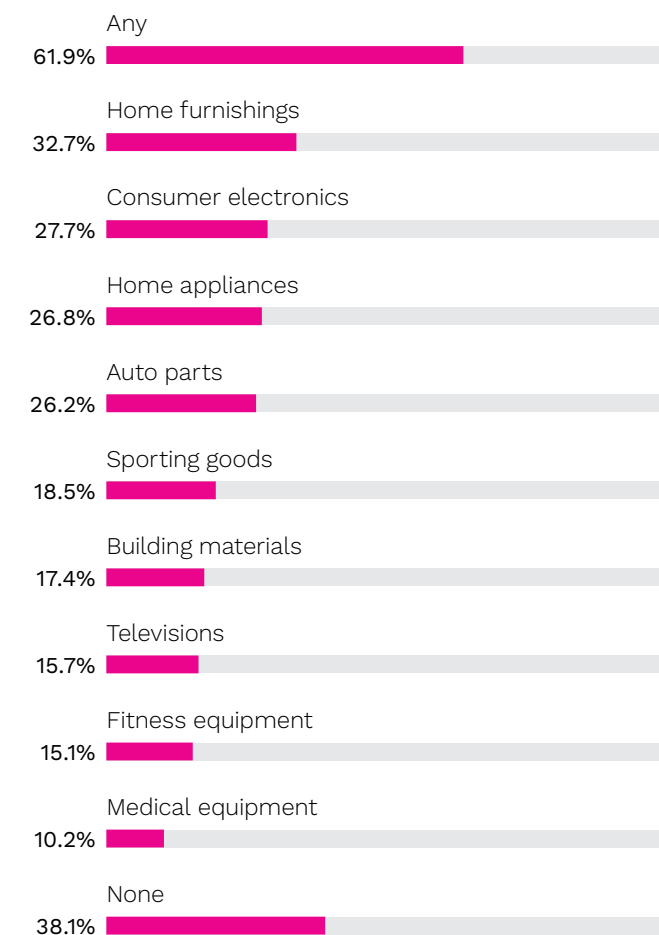


Sixty-two percent of U.S. consumers have purchased durable goods in the past 12 months. The most frequently purchased durable goods are home furnishings, cited by 33% of consumers. Twenty-eight percent of respondents reported purchasing consumer electronics, 27% purchased home appliances and 26% bought automotive parts. Almost 58% of consumers who bought durable goods within the past year used financing or leasing programs for at least one purchase. Twenty-eight percent of respondents financed all their durable goods purchases, while 30% of them financed some but not all such acquisitions.

PYMNTS' research also finds that age and income are two of the most significant determining factors influencing consumers' use of alternative financing options for durable goods. Bridge millennials, millennials and Generation X consumers are the age groups most likely to finance all their purchases, with approximately 32% of respondents across these generations doing so.

FIGURE 1A:
Which durable goods U.S. consumers purchase

Share who purchased select durable goods within the past 12 months



Source: PYMNTS.com | Katapult The Lease-To-Own Secret

Thirty percent of Generation Z consumers also said they financed all their purchases using alternative financing options, which could be because they typically have limited access to credit compared to older cohorts. Still, 39% of Gen Z and millennial respondents said they would most likely buy more durable goods if lease-to-own financing options were available.

Approximately 38% of respondents who report living paycheck to paycheck and struggling to pay their bills say they use alternative financing methods for all of their durable goods purchases — double the rate of consumers who do not live paycheck to paycheck.

TABLE 1:
Generational differences in durable goods purchases

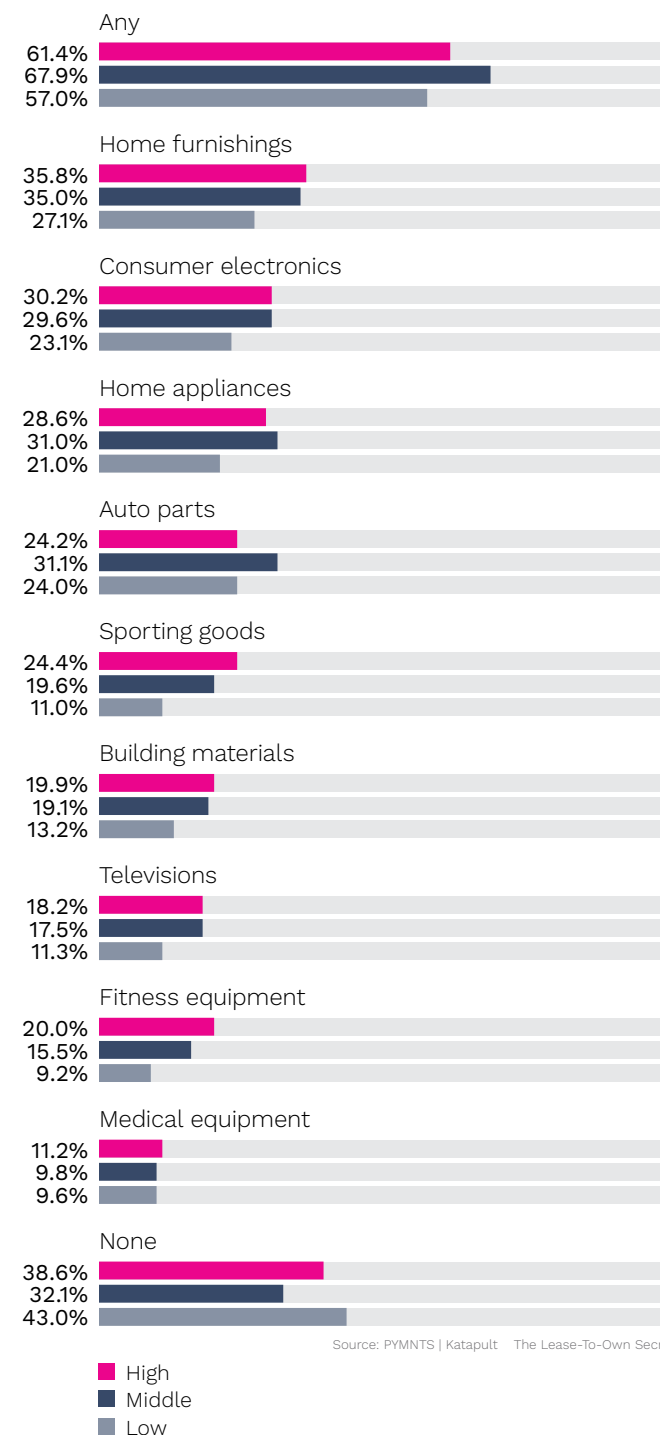
Share who purchased select durable goods within the past 12 months, by generation

	GENERATION Z	MILLENNIALS	BRIDGE MILLENNIALS	GENERATION X	BABY BOOMERS AND SENIORS
• Any	62.3%	67.8%	66.9%	64.1%	43.6%
• Home furnishings	27.1%	38.9%	41.2%	36.6%	25.6%
• Consumer electronics	23.6%	34.3%	32.0%	31.0%	17.1%
• Home appliances	24.5%	30.5%	29.3%	29.1%	20.1%
• Auto parts	24.9%	33.7%	30.7%	27.5%	11.2%
• Sporting goods	10.6%	24.4%	28.7%	23.7%	15.3%
• Building materials	19.4%	22.1%	20.5%	17.1%	5.4%
• Televisions	11.3%	18.8%	20.9%	19.9%	11.7%
• Fitness equipment	7.4%	17.1%	23.7%	22.2%	15.2%
• Medical equipment	9.9%	10.5%	12.1%	11.1%	8.4%
• None	37.7%	32.2%	33.1%	35.9%	56.4%

Source: PYMNTS.com | Katapult | The Lease-To-Own Secret

FIGURE 1B:
Which durable goods U.S. consumers purchase

Share who purchased select durable goods within the past 12 months, by income level



Source: PYMNTS | Katapult | The Lease-To-Own Secret

The most common reason consumers use financing options is to better manage their finances. Sixty-seven percent of lease-to-own users and 57% of buy now, pay later users could not purchase desired durable goods without access to these financing options.

Respondents reported spending an average of nearly \$3,000 on durable goods annually, though big spenders have a significant impact on this number. Consumers' average annual spending on durable goods is roughly \$2,000 when the top 5% of spenders is excluded.

Among all durable goods types, medical equipment boasts the greatest share of purchases made via lease-to-own payment plans at 31%. This could be because the consumers making these purchases hope their medical conditions will improve and that they will be able to return the goods without paying the full amount for them. Approximately 13% more lease-to-own users than nonusers believe traditional retail stores have higher-quality products, and 19% of respondents with credit scores below 650 use lease-to-own financing.

PART II: TRADITIONAL RETAIL IS STILL THRIVING

Two-thirds of consumers prefer to shop at traditional retail stores. Of the consumers we surveyed, only 4% told us that they prefer to shop at lease-to-own stores. Sixteen percent of consumers who frequent lease-to-own stores say they prefer them, but 63% of these consumers prefer traditional retailers. Approximately half of the respondents who prefer traditional retailers said this is because traditional retailers are more trustworthy and have lower prices. Consumers also tend to believe that traditional retailers offer higher-quality goods, with 40% of respondents stating that this is why they prefer traditional retailers over lease-to-own merchants.

2/3

OF CONSUMERS
PREFER TO SHOP
AT **TRADITIONAL
RETAIL STORES.**

FIGURE 2A:

Consumers' financing behaviors when purchasing durable goods

Share using financing solutions at select levels when purchasing goods within the past 12 months



Source: PYMNTS.com | Katapult The Lease-To-Own Secret



Previous users of lease-to-own options also prefer to shop at traditional retailers for many reasons. Fifty-one percent believe traditional retailers have higher-quality products, 40% believe traditional retailers offer more affordable financing options and 42% say they have better customer service.

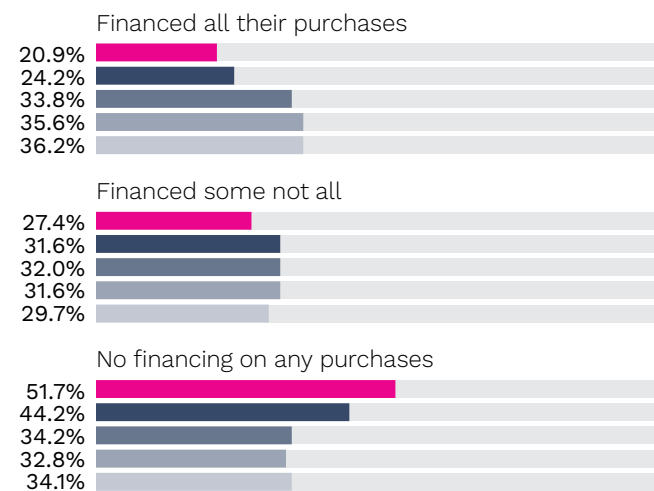
More than one-quarter of respondents would not make a durable goods purchase at a traditional retailer that lacked lease-to-own options. Sixteen percent said they would not make the purchase, and 10% would go to a lease-to-own store and attempt to make the purchase there.

The most common response to a traditional retailer lacking lease-to-own options was to use another financing option, listed by 54% of respondents. Twenty-five percent of respondents who have used lease-to-own options would go to a lease-to-own store. Additionally, half of respondents with credit scores below 700 said they used financing to make a purchase because it was the only way they could afford to do so.

FIGURE 2B:

Consumers' financing behaviors when purchasing durable goods

Share using financing solutions at select levels when purchasing goods within the past 12 months, by generation



Source: PYMNTS.com | Katapult The Lease-To-Own Secret

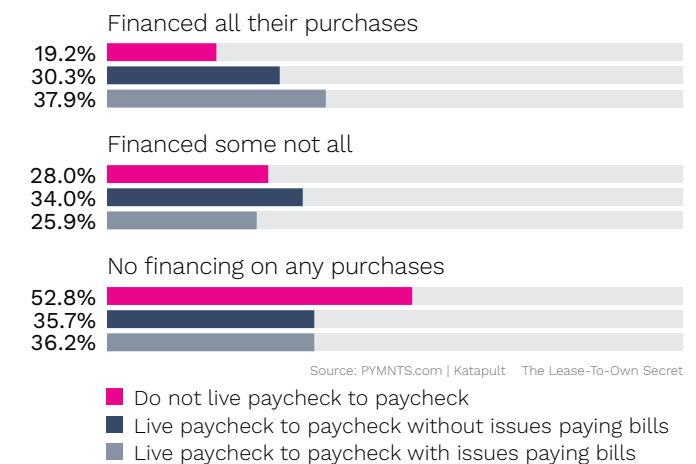
- Baby boomers and seniors
- Generation X
- Bridge millennials
- Millennials
- Generation Z

25%
OF RESPONDENTS WHO HAVE USED LEASE-TO-OWN OPTIONS WOULD GO TO A LEASE-TO-OWN STORE.

FIGURE 2C:

Consumers' financing behaviors when purchasing durable goods

Share using financing solutions at select levels when purchasing goods within the past 12 months, by financial lifestyle



Source: PYMNTS.com | Katapult The Lease-To-Own Secret

- Do not live paycheck to paycheck
- Live paycheck to paycheck without issues paying bills
- Live paycheck to paycheck with issues paying bills

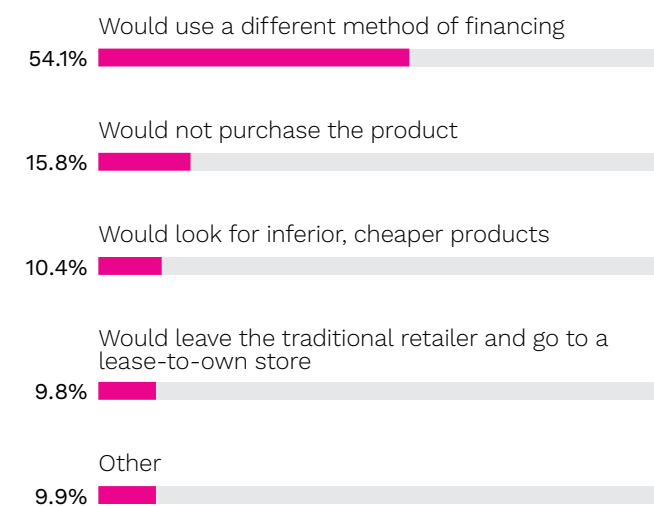
PART III: PUTTING PRODUCTS IN REACH

Two-thirds of respondents who have used lease-to-own financing would buy more durable goods this year if traditional retailers offered lease-to-own financing options. This indicates that consumers who have used lease-to-own options in the past are often open to using them again — and that traditional retailers could increase their sales by supporting these payment methods.

FIGURE 3A:

U.S. consumers' behaviors at traditional retailers

Share who take select actions when lease-to-own options are not available








Source: PYMNTS.com | Katapult | The Lease-To-Own Secret

Credit cards are the financing method consumers most commonly used when making durable goods purchases, with 41% of respondents reporting that they use these products. Lease-to-own was the least common financing option among survey respondents, with only 11% using such options within the past 12 months. Millennials were the most likely to use lease-to-own financing for durable goods purchases at 23%. PYMNTS' findings revealed that this lack of use does not necessarily indicate a lack of consumer interest but rather that an untapped market for these solutions exists.

TABLE 2:
Generational differences in purchasing decisions at traditional retailers

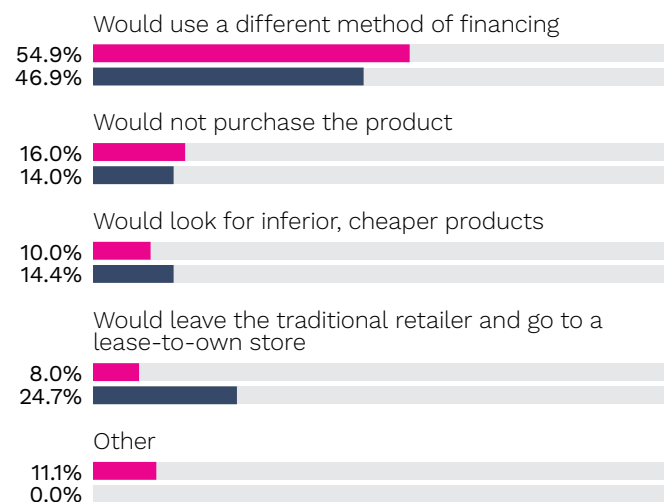
Share who take select actions when lease-to-own options are not available, by generation ■ Highest percentage

	 GENERATION Z	 MILLENNIALS	 BRIDGE MILLENNIALS	 GENERATION X	 BABY BOOMERS AND SENIORS
• Would use a different method of financing	56.2%	54.2%	54.6%	51.3%	54.9%
• Would not purchase the product	17.6%	15.5%	13.8%	15.3%	11.3%
• Would look for inferior, cheaper products	3.2%	11.0%	14.2%	15.0%	21.4%
• Would leave the traditional retailer and go to a lease-to-own store	7.1%	9.8%	10.9%	12.8%	10.1%
• Other	15.9%	9.6%	6.5%	5.6%	2.3%

Source: PYMNTS.com | Katapult | The Lease-To-Own Secret

FIGURE 3B:
U.S. consumers' behaviors at traditional retailers

Share who take select actions when lease-to-own options are not available, by past lease-to-own usage



Source: PYMNTS.com | Katapult | The Lease-To-Own Secret

■ Never used lease-to-own
■ Used lease-to-own

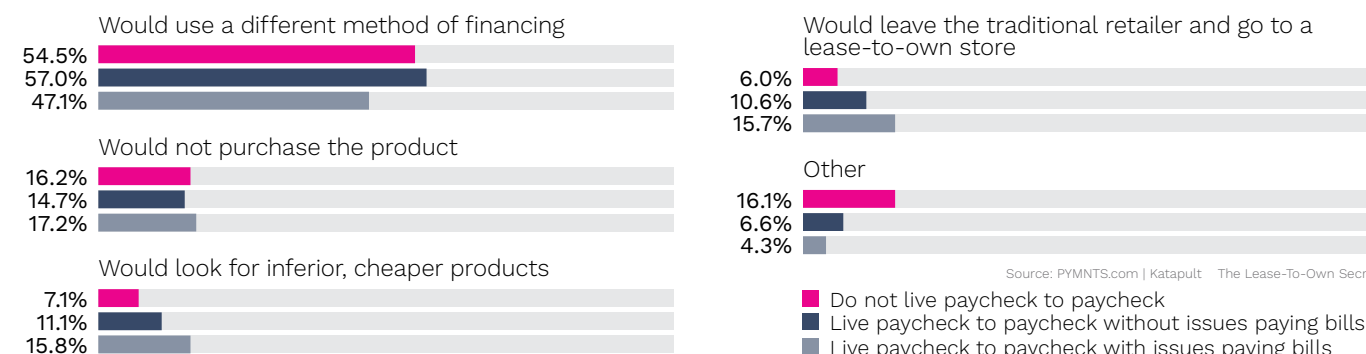
Almost one-third of respondents are at least somewhat interested in using lease-to-own financing, with roughly half of millennials, bridge millennials and respondents with credit scores below 650 interested in such options. Nearly 40% of respondents who spent more than \$1,800 on durable goods last year are at least “somewhat” interested in using lease-to-own financing, and 23% are “very” or “extremely” interested in doing so. Almost half of respondents are also at least “somewhat” interested in using virtual credit cards for lease-to-own programs in-store or online.

Using virtual cards linked to lease-to-own options is especially appealing to consumers who have used lease-to-

own financing in the past. Seventy-nine percent of respondents who have previously used lease-to-own financing would be at least somewhat interested in using a virtual credit card to finance their durable goods purchases in-store, for example, and 82% have the same level of interest in using such a card online. Respondents who purchase more durable goods and have lower credit scores are more interested these cards. Approximately 27% of those who purchased six or more durable goods last year and 31% of those with credit scores below 650 are “very” or “extremely” interested in using these cards in-store. Roughly 28% of both groups are “very” or “extremely” interested in using these cards online.

FIGURE 3C:
U.S. consumers' behaviors at traditional retailers

Share who take select actions when lease-to-own options are not available, by financial lifestyle



Source: PYMNTS.com | Katapult | The Lease-To-Own Secret

■ Do not live paycheck to paycheck
■ Live paycheck to paycheck without issues paying bills
■ Live paycheck to paycheck with issues paying bills

When lease-to-own payment options are not available and consumers want to purchase a specific durable good, more than half of them will find different financing methods for their purchases. Sixteen percent of respondents would not purchase a given product, 10% would consider cheaper products and another 10% would look for a retailer that offered lease-to-own options. This last number is substantially higher among those who have previously used lease-to-own options, with 25% willing to look for a different retailer that offers lease-to-own financing to complete their purchases.

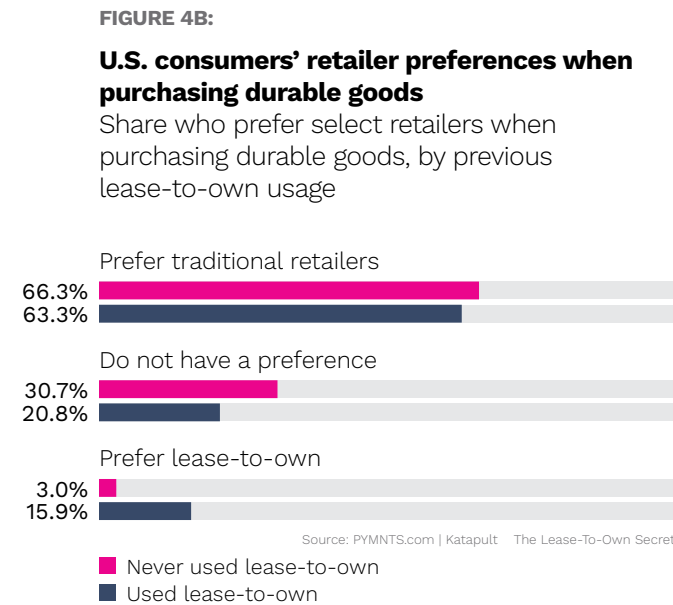
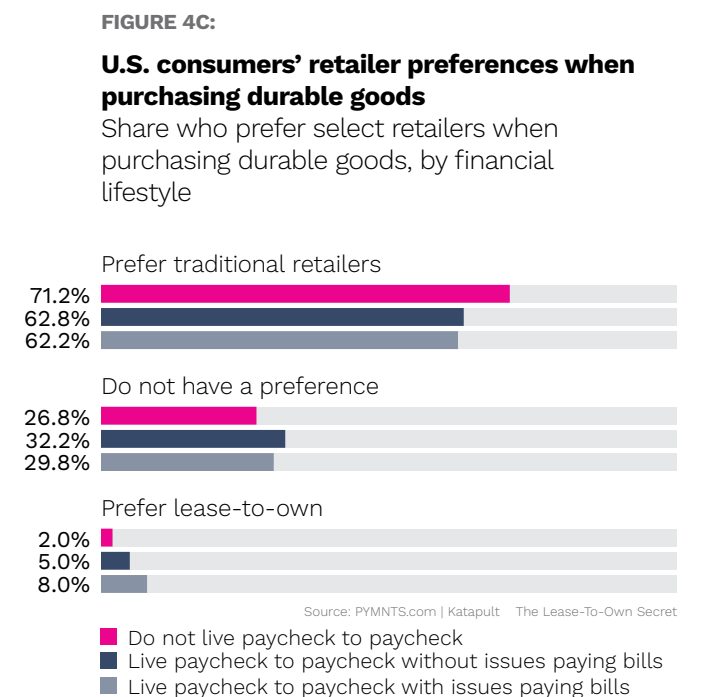


TABLE 3:
Generational differences in retailer preferences when purchasing durable goods
 Share who prefer select retailers when purchasing durable goods, by generation

	GENERATION Z	MILLENNIALS	BRIDGE MILLENNIALS	GENERATION X	BABY BOOMERS AND SENIORS
• Prefer traditional retailers	72.5%	64.6%	62.3%	61.8%	59.6%
• Do not have a preference	26.3%	31.6%	29.4%	30.5%	32.5%
• Prefer lease-to-own	1.2%	3.8%	8.3%	7.6%	7.9%

Source: PYMNTS.com | Katapult The Lease-To-Own Secret

Two-thirds of consumers prefer traditional retailers over lease-to-own options, while 30% do not have a preference. The most likely consumers to prefer lease-to-own retailers were bridge millennials, Generation Z members, millennials, those who live paycheck to paycheck and those who have previous experience using lease-to-own payment arrangements



CONCLUSION

Lease-to-own financing is a largely untapped opportunity for both consumers and retailers. It allows consumers to purchase high-quality durable goods they might otherwise be required to forgo or substitute with inferior products to avoid high-interest credit card debt. It also enables these consumers to better manage their finances by giving them added flexibility and the ability to pay off their purchases over time. Once consumers have experience with lease-to-own arrangements, they are typically more open to using them in the future. From the retailer's perspective, lease-to-own financing opens doors to increased sales by making it feasible for more consumers to make purchases

METHODOLOGY

The Lease-To-Own Secret: Giving Consumers Control Over Durable Goods Purchases is based on a survey of a census-balanced panel of 2,688 U.S. consumers that was conducted between Feb. 3 and Feb. 9. Respondents were 48 years old on average, and 53% were female. Thirty-seven percent of respondents had a college degree, and 36% declared an annual income of more than \$100,000. Additional proprietary data from PYMNTS was used for supplementary analysis.

ABOUT

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Katapult’s consumer-centric focus ensures a quick application and approval process, transparent terms, and tailored payment plans. Katapult associates with hundreds of retailers across the United States, with merchant support teams, marketing insights and suggestions for continued success.

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