

MERCHANTS' EVOLVING PERSPECTIVE

on the Value of Card-Linked Pay Later Plans

June 2024 Report



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June 2024

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



Merchants’ Evolving Perspective on the Value of Card-Linked Pay Later Plans 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.

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WHAT'S AT STAKE

Merchants are increasingly recognizing the value of offering general-purpose credit card-linked installment plans, with 37% of merchants now providing these installment plans at the point of sale (POS).

This shift — a 16% rise in less than six months — highlights how rapidly consumer demand for flexible payment solutions has expanded. More merchants are now leveraging the developing popularity of these plans, in turn enhancing customer satisfaction and driving higher spending. With competition intensifying across the retail sector, understanding how these pay later options impact consumer behavior and merchant preferences is crucial for businesses aiming to stay ahead.

Pay later plans are not interchangeable in consumers' minds, it seems. Consumers spend more than twice as much on retail items when using general-purpose card-linked installment plans than buy now, pay later (BNPL) options, with median transaction amounts on card-linked plans reaching \$1,500. This higher spending potential underscores why 72% of merchants prefer customers finance installments with general-purpose credit cards.

“

Our organization has integrated installment plans into the payment gateway, **allowing customers [to use] real-time eligibility checks and streamlining the processing of installment transactions during and after checkout.**

”

CFO of a medical or healthcare company
generating between \$750 million and \$1 billion in annual revenue

“

We have enhanced
our checkout process
by integrating credit card
installment plans through
our POS system,
**as this expanded payment
flexibility empowers
customers to manage their
purchases accordingly.**

”

Owner of a restaurant
generating between \$750 million
and \$1 billion in annual revenue

To tap into these benefits, though, merchants must address some significant startup frictions, with 70% of firms that support pay later programs citing integration challenges and high costs as a difficulty they faced in the last year. Addressing these issues is essential to fully leverage the advantages pay later plans can offer.

These are just some of the findings detailed in Merchants' Evolving Perspective on the Value of Card-Linked Pay Later Plans, a PYMNTS Intelligence and Splitit collaboration. This edition examines merchants' current support of and interest in offering various installment plans. It draws on insights from an original survey of 100 merchants with knowledge of and leadership responsibilities in accounts receivable (AR), consumer billing and collections, and finance or financial operations. We conducted this survey from March 7 to March 28.

This is what we learned.

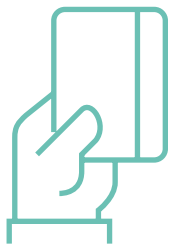


KEY FINDINGS

01

MORE CARD-LINKED PLAN AVAILABILITY

Thirty-seven percent of merchants now offer general-purpose credit card-linked installment plans.



16%

Increase in the share of merchants offering card-linked installments since December 2023

02

MERCHANTS' PREFERENCE

Merchants prefer customers finance purchases with general-purpose credit card-linked installment plans over BNPL providers.



72%

Share of merchants preferring card-linked financing for installment payments

03

HIGHER SPENDING

Consumers spend more than twice as much on retail items using general-purpose credit card-linked installment plans than when using BNPL options, on average.



\$1,500

Median transaction amount for general-purpose credit card-linked installment plans, compared to \$386 using BNPL

04

STARTUP FRICTIONS

Merchants cite integration challenges and high costs as hurdles to overcome when adopting pay later solutions.



67%

Portion of merchants encountering payment processing issues with pay later plans

THE FULL STORY

Pay later options using general-purpose credit cards are transforming merchant strategies, driving higher consumer spending and customer satisfaction.

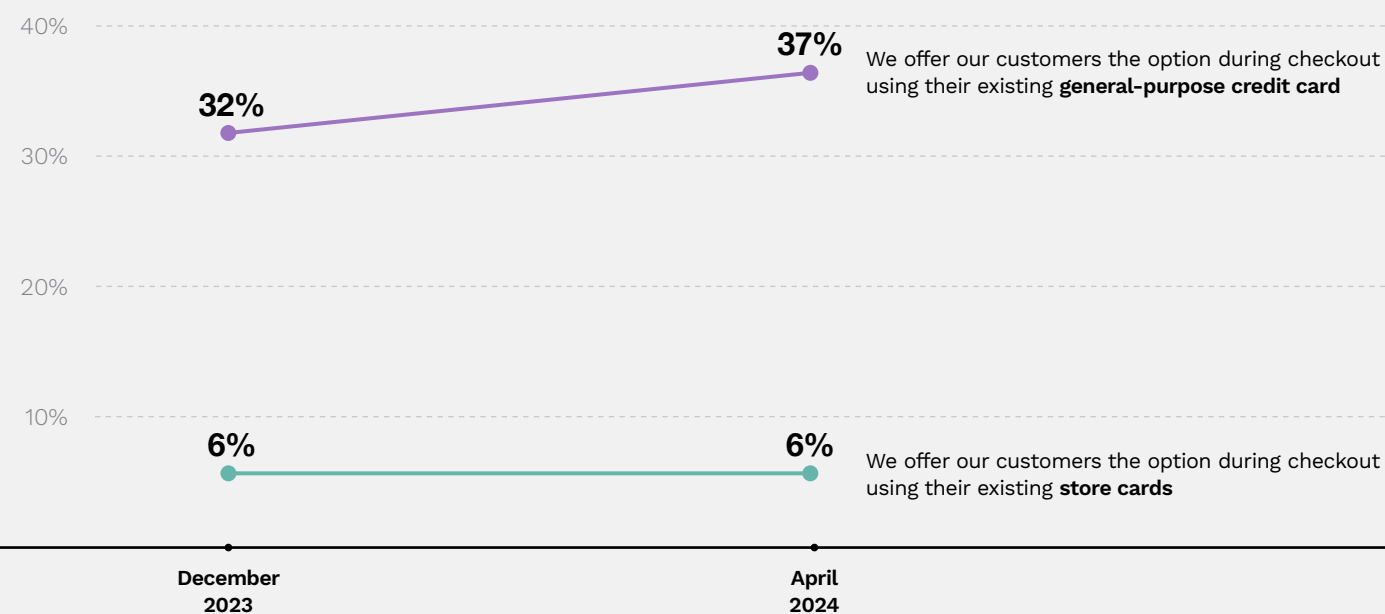
Since December, more merchants now offer general-purpose credit card-linked installment plans, highlighting their rapid shift to accommodate this payment preference.

The share of merchants that offer general-purpose credit card-linked installment plans has increased by 16% since December 2023, reflecting significant integration of this payment option into POS and online checkout systems. Now, 37% of merchants offer customers the option to pay later using at least one type of general-purpose credit card. Though merchants are now more likely to offer customers the option to pay later with a general-purpose credit card, there was no change in the share of merchants that offer pay later options using their store cards. As a limited number of merchants issue store cards, this finding may not be surprising.

FIGURE 1:

Merchants expanding installment plans

Share of merchants that offer select installment options to individual customers



Source: PYMNTS Intelligence
 Merchants' Evolving Perspective on the Value of Card-Linked Pay Later Plans, June 2024
 N = 100: Complete responses, fielded March 7, 2024 – March 28, 2024

A key part of the plan adoption equation not to be overlooked is the third-party provider, as merchants often integrate the ability to pay later via general-purpose credit card-linked programs into their point of sale with third-party assistance. A closer look reveals that opting to integrate directly with card providers limits customers' options.

“ Our store is equipped with advanced POS systems seamlessly integrated with credit card processing terminals, enabling us to provide convenient installment plans to customers during checkout. ”

Vice president of finance for a retail company
 generating between \$750 million and \$1 billion in annual revenue

Why? As direct integration with card providers requires separate contracts with different card providers, merchants going it alone do not typically offer card-linked pay later programs on any type of card. Rather, they limit consumers to the few providers they have deals with. Merchants that turn to a third party to integrate card-linked pay later solutions are likely able to accept a greater array of cards in their pay later programs, accommodating more customer preferences in the process.

Regardless of purchase channel, merchants prefer customers finance installment payments on their general-purpose cards over BNPL providers.

For in-store transactions, merchants say that consumers' use of general-purpose credit card-linked installment plans is growing more than their use of BNPL plans. This trend is evident in the 82% of merchants reporting an uptick in individual customers using general-purpose credit card-linked installment plans during in-store checkout over the past 12 months. In contrast, 67% of merchants reported that a greater number of consumers used BNPL in-store over the same period compared to the prior year.

FIGURE 2:

Pay later landscape changes

Share of merchants citing how their individual customers' use of pay later options changed over the last 12 months

DURING ONLINE CHECKOUT

Using buy now, pay later



Using installment plans linked to existing general-purpose credit cards



DURING IN-STORE CHECKOUT

Using buy now, pay later



Using installment plans linked to existing general-purpose credit cards



- Increased
- About the same
- Decreased

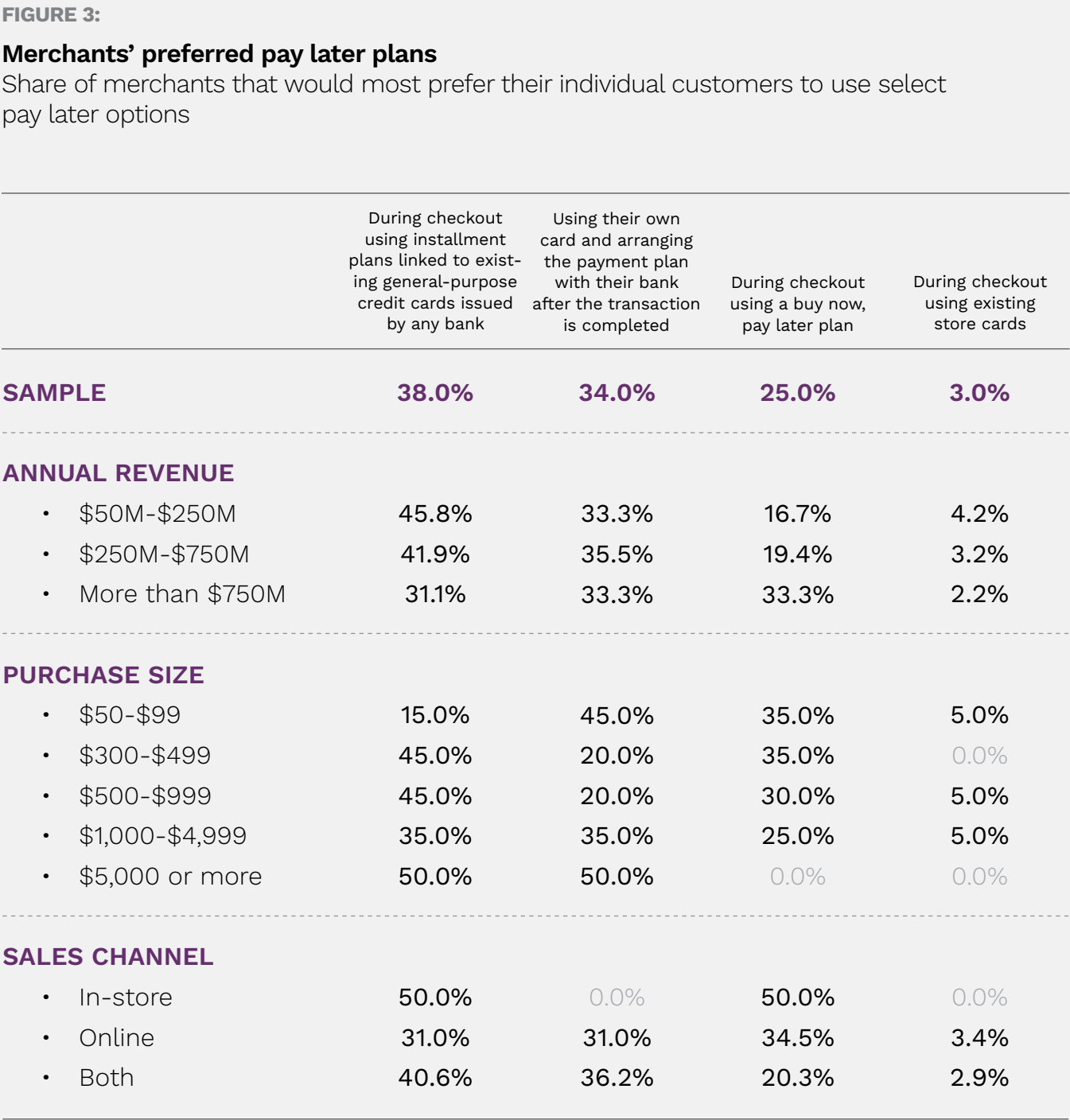
Source: PYMNTS Intelligence
Merchants' Evolving Perspective on the Value
of Card-Linked Pay Later Plans, June 2024

N varies and represents firms that support pay later products,
fielded March 7, 2024 – March 28, 2024

BNPL plans are rapidly gaining popularity online, with 85% of merchants reporting that BNPL was used more often during online checkout over the past 12 months. Some of this may have to do with the ecosystem there, as online-only merchants are more likely to offer BNPL compared to omnichannel or in-store-only merchants, and BNPL’s high visibility during online checkout has supported its rapid growth online. Anticipating these dynamics can help merchants tailor their payment offerings to maximize consumer satisfaction and capture spending across different sales channels.

While consumers are increasingly turning to BNPL for online purchases, merchants would prefer that consumers use their general-purpose credit card for installments regardless of the channel. About 3 in 4 merchants favor financing installment payment plans with general-purpose credit cards, and more than half of them would prefer that these transactions occur at the POS. Conversely, 25% of merchants prefer customers use BNPL during checkout, though this share grows slightly for smaller purchase sizes.

Notably, firms in the healthcare and restaurant industries rarely prefer BNPL, while retailers are split in their preference for BNPL or general-purpose card-linked installment programs.



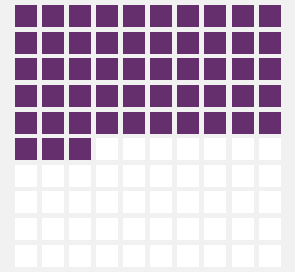
Source: PYMNTS Intelligence
Merchants’ Evolving Perspective on the Value of Card-Linked Pay Later Plans, June 2024
N = 100: Complete responses, fielded March 7, 2024 – March 28, 2024

Consumers spend more using general-purpose card-linked installment plans, which is likely why merchants prefer this payment method over BNPL.

Pay later solutions and increased consumer spending share a strong link, and data shows customers spend the most using general-purpose credit card-linked installment plans. The median transaction amount for these plans is \$1,500, compared to \$875 for merchant or store card-linked installment plans and \$386 for BNPL.

One reason for this is that larger or infrequent purchases, such as medical bills or tuition, are more likely to be made on card-linked programs. Even in retail settings, though, consumers spend more using card-linked pay later programs than BNPL.

53%



of merchants think consumers would buy higher-priced items or services **if card-linked installment plan options were known before checkout;**

48% feel consumers would buy more items in that scenario.

Timing is everything in this context, and more than half of merchants believe that consumers will buy more items or pricier goods if they are aware of card-linked installment solutions before checkout. This insight highlights the importance of effectively communicating installment options to consumers early in the shopping journey to drive higher sales.

More merchants have felt the benefits of offering pay later solutions since last December. For example, 88% of merchants offering installment options believe that pay later plans boost customer acquisition and retention. Notably, 89% of merchants think general-purpose credit card-linked installment plans provide this benefit, yet just 64% say the same for BNPL options. In second place are merchant or store card-linked plans, at 83%.

Additionally, the simplicity of receiving payments ticked up slightly over the past several months, with 95% of merchants now acknowledging this benefit of pay later offerings. These trends suggest that merchants have started to see a greater role for installment plans.

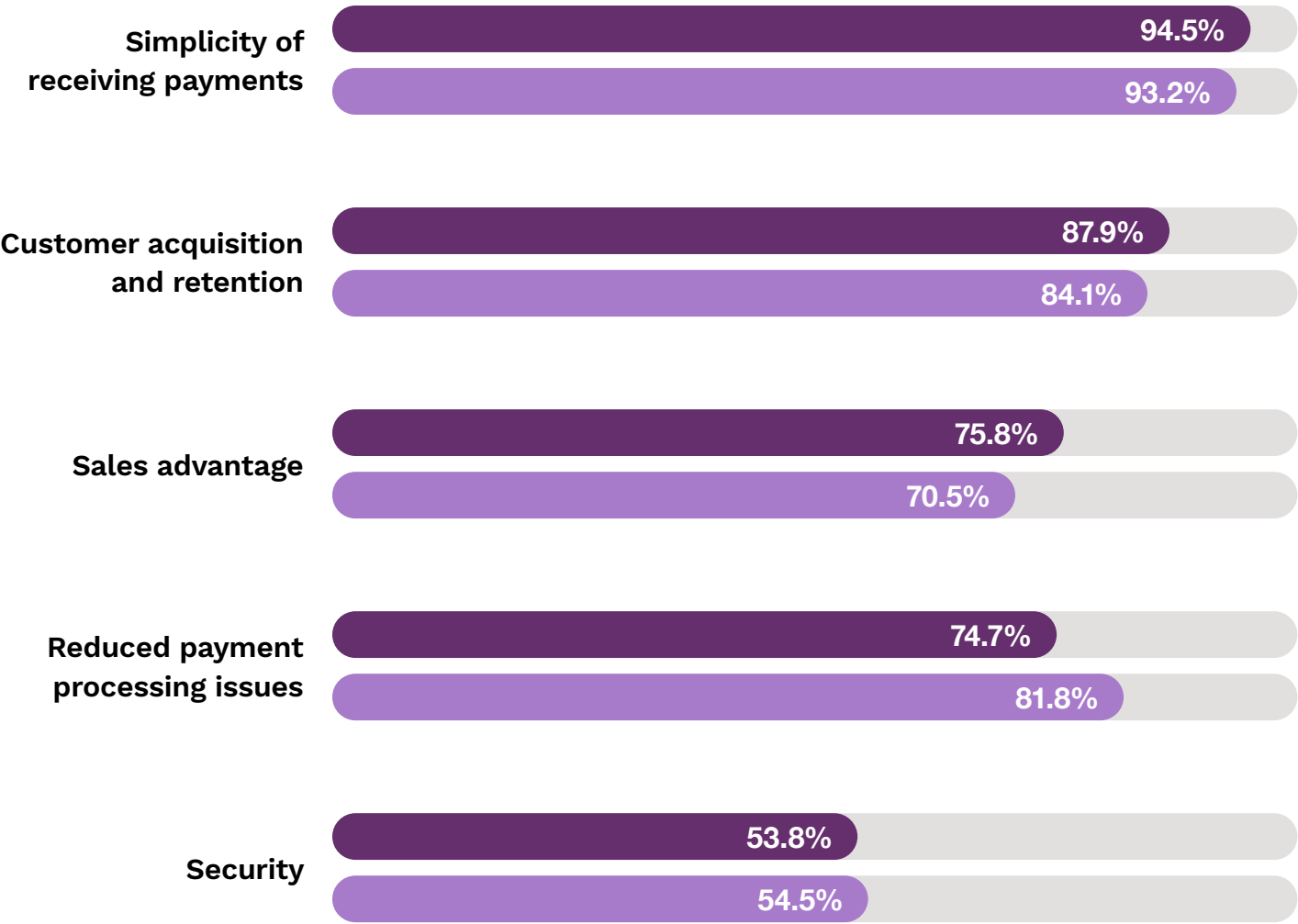


Share of merchants that believe general-purpose credit card-linked installments **boost customer acquisition and retention**

FIGURE 4:

Top benefits of offering pay later plans

Share of merchants citing benefits they obtained from offering their individual customers the option to pay using installments in the last 12 months



- April 2024
- December 2023

Source: PYMNTS Intelligence
Merchants' Evolving Perspective on the Value of Card-Linked Pay Later Plans, June 2024
N = 37: Firms that support pay later products and have had their customers use them, fielded March 7, 2024 – March 28, 2024

Merchants find startup frictions challenging, but those offering pay later plans see fewer customer complaints about late payments.

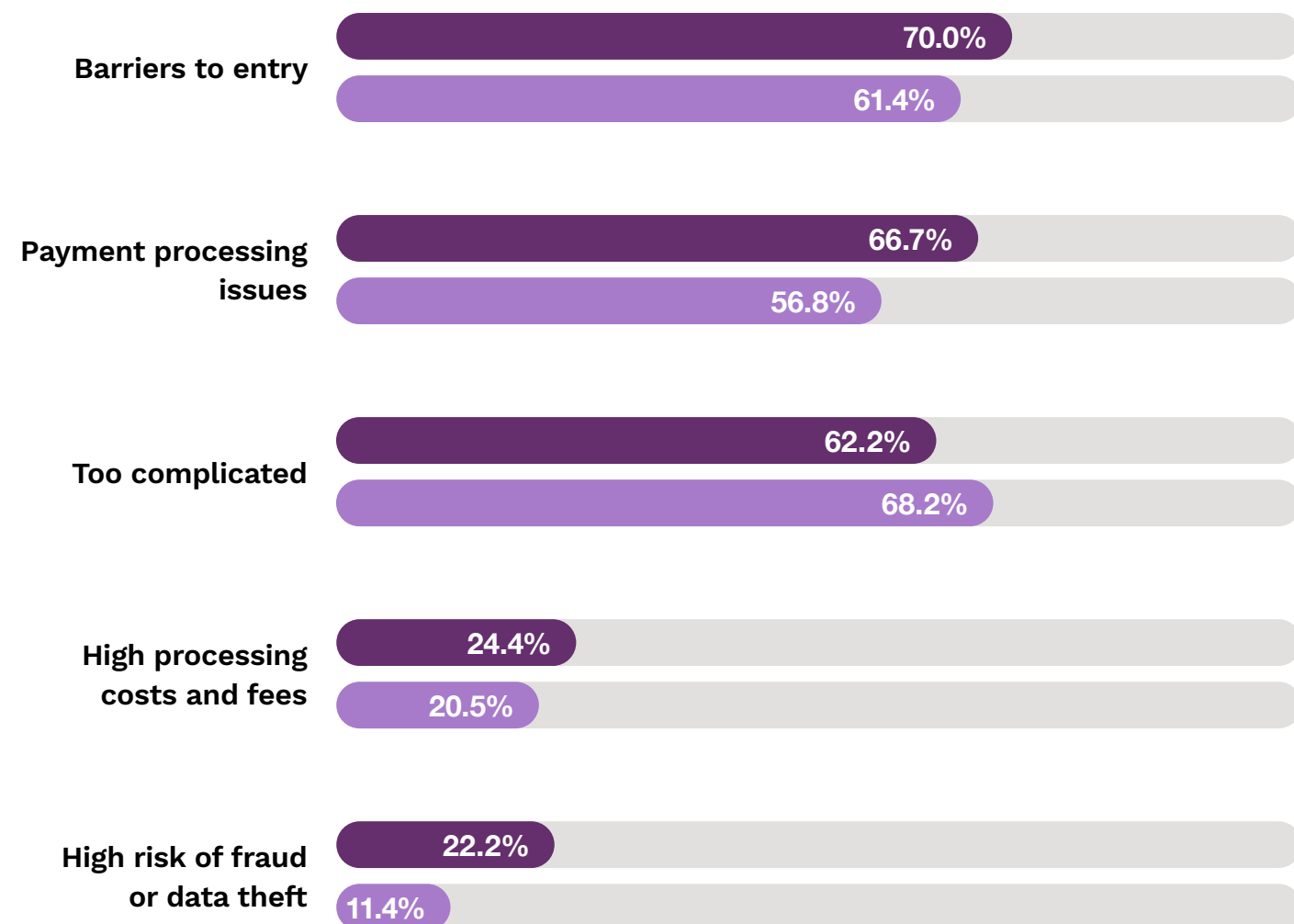
As merchants add pay later options, many are noting difficulties with initial implementation. Rising concerns include payment processing issues, costs and fraud. Barriers to entry, such as integration challenges and high startup costs, were experienced by 70% of merchants who now provide pay later options, up from 61% in December 2023. Likewise, payment processing issues rose to 67% and concerns about fraud increased to 22%.

However, fewer merchants now find the process too complicated, with this figure dropping from 68% in December 2023 to 62%. Improving merchant accessibility to pay later solutions could make these options more widespread. One in 3 merchants that currently offer no installment options cite integration challenges as the primary reason. Alleviating these integration pain points could encourage more merchants to add installment payment options.

FIGURE 5:

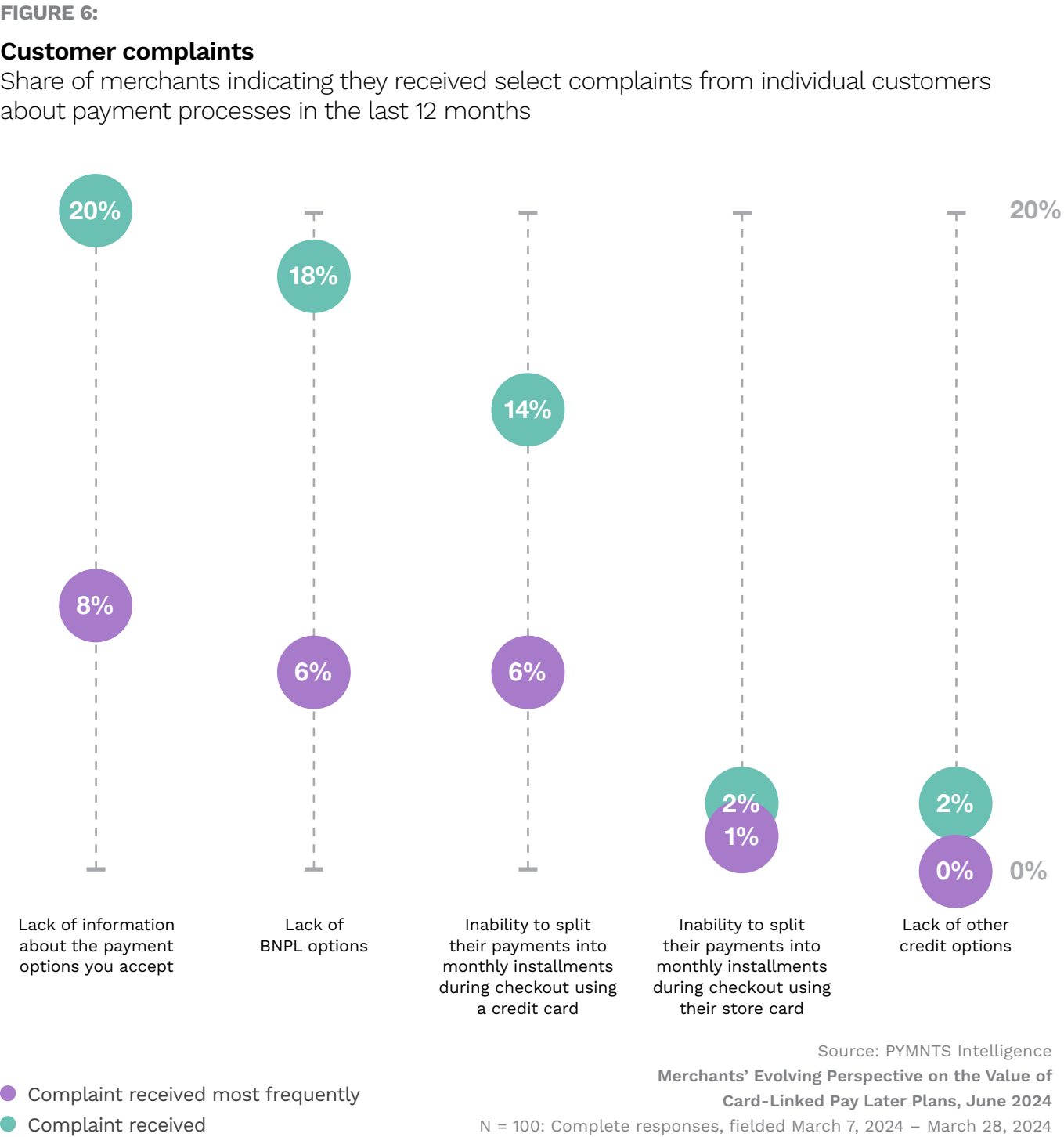
Top challenges of offering pay later plans

Share of merchants citing difficulties or issues they experienced due to offering individual customers the option to use a pay later plan in the last 12 months

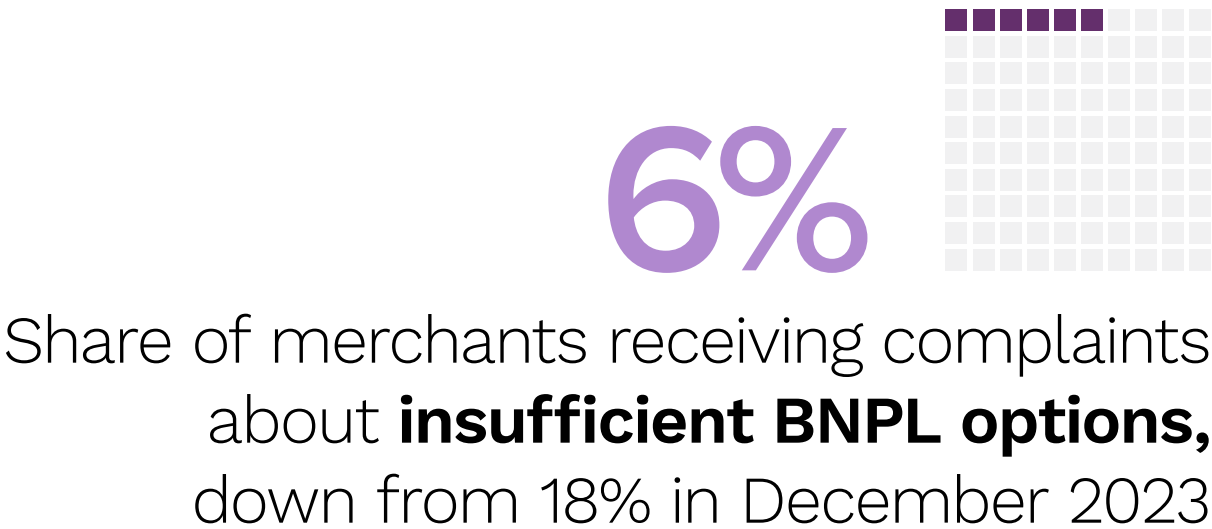


● April 2024
● December 2023

Source: PYMNTS Intelligence
Merchants' Evolving Perspective on the Value of Card-Linked Pay Later Plans, June 2024
N = 37: Firms that support pay later products and have had their customers use them,
fielded March 7, 2024 – March 28, 2024



According to customer complaints, fewer customers now feel dissatisfied with available payment methods — a development that points to the recent merchant success at expanding their pay later options. The share of merchants receiving complaints about insufficient BNPL options, for example, has more than halved since December 2023, dropping from 38% to 18%. Additionally, fewer consumers are now complaining about their ability to pay later with their general-purpose credit or store cards. This overall decrease in complaints suggests that the increase in installment offerings is effectively meeting consumer demand.



DATA FOCUS

Merchants increasingly value installment plans, with the share believing installment options drive customers to switch merchants more than doubling since December 2023.

The data is clear:

More than one-third of merchants think that their customers are very or extremely likely to switch merchants for pay later plans that link to their existing cards.

Not only is plan availability important, but it is gaining importance as merchants learn more: Since just December 2023, merchants have grown 164% more likely to believe their customers are highly likely to opt for a merchant that offers the general-purpose card-linked installment plans they want. Add in those that consider that somewhat likely, and 57% expect pay later solutions to materially impact their customer base.

164%

Increase since December 2023 in the share of merchants believing customers are **highly likely to switch merchants** due to installment options available at checkout with existing cards

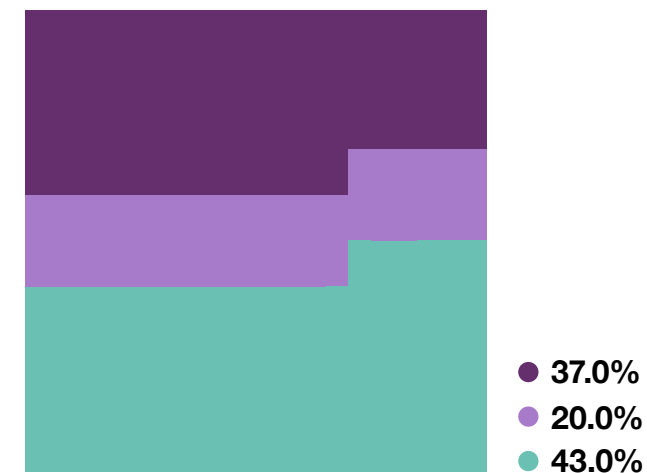
Despite initial challenges, merchants that adopt these solutions see a clear payoff, with reduced customer complaints and enhanced satisfaction. As customers spend more with general-purpose card-linked installment plans, offering these options can significantly boost customer retention and acquisition. The data suggests that promoting these plans can lead to increased sales and competitive advantage, highlighting the importance of clear communication about their benefits to consumers.

FIGURE 7:

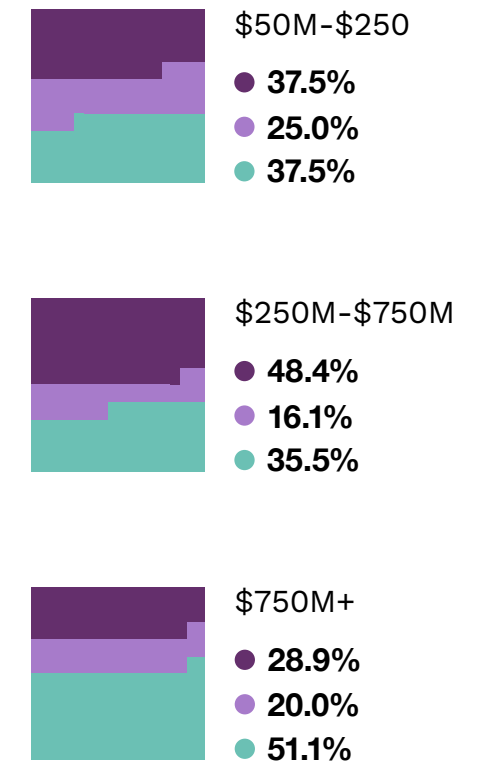
Switching costs

Share of merchants citing how likely they think their individual customers would be to switch to a different merchant because of the availability of the option to pay in installments using their existing card during checkout — April 2024

Sample



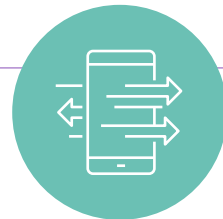
Annual revenue



- Very or extremely likely
- Somewhat likely
- Not at all or slightly likely

Source: PYMNTS Intelligence
 Merchants' Evolving Perspective on the Value of Card-Linked Pay Later Plans, June 2024
 N = 100: Complete responses, fielded March 7, 2024 – March 28, 2024

ACTIONABLE INSIGHTS



01

Prioritize integrating general-purpose credit card-linked installment plans at the POS. Merchants report a 72% increase in offering these plans, and consumers spend more than twice as much using them as they do with BNPL options, with median transaction amounts for general-purpose card-linked installment plans reaching \$1,500. Simplifying POS integration boosts revenue and customer loyalty.



02

Invest in advanced POS systems and reduce integration costs by partnering with a solution provider that offers easy integration with minimal technical uplift. One in 3 merchants that offer no form of installment plan note the primary reason for this is they found it challenging to integrate into their systems. Simplifying these processes will make it easier for merchants to adopt installment plans and effectively meet consumer demand, enhancing competitiveness.



03

Educate customers about available pay later options before checkout. Almost half of merchants believe informing consumers about installment options beforehand leads to higher sales and more expensive purchases. Clear communication is essential to driving consumer spending while also leveraging other benefits to pay later offerings, such as the ease and simplicity of receiving payments.



04

Focus on improving customer satisfaction by addressing common pain points around using general purpose credit card-linked installment plans: 89% of merchants believe these installment plans boost customer acquisition and retention. By contrast, just 64% of merchants feel the same way about BNPL schemes. Ensuring a seamless and satisfying customer experience can enhance loyalty and drive repeat business.

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METHODOLOGY

Merchants' Evolving Perspective on the Value of Card-Linked Pay Later Plans is a PYMNTS Intelligence and Splitit collaboration. This edition examines merchants' current support of and interest in offering various installment plans. It draws on insights from an original survey of 100 merchants with knowledge of and leadership responsibilities in AR, consumer billing and collections, and finance or financial operations. We conducted this survey from March 7 to March 28 and limited the sample to firms that met the following qualifications:

- **Generate revenue in eCommerce/eTail, education, restaurants, healthcare or medical, retail trade, or travel and leisure**
- **Made more than 50% of their sales to consumers**
- **Generate annual revenues greater than \$50 million**
- **Made sales with credit cards, store cards or BNPL**

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ABOUT

PYMNTS
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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 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.

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