

Trends in Consumer Payments and Preference

A Bread Research Report



New research shows consumers want more ways to pay.

Marketing, advertising, and referrals aren't as effective as offering the ability to split up payments. Pricing and how customers will fit a purchase into their budget is an increasingly important factor in conversion.

Our latest research takes a considered look at customer shopping behavior and preferences, and how those line up with the payment options retailers currently offer. The findings show that additional payment options are integral to the customer experience. By asking shoppers who have recently made a purchase of \$500 or more about what they look for and prefer from the brands they buy from, Bread found that pay-over-time options are **even more compelling** than a recommendation from a friend. As customers look to avoid debt and credit card fees while stretching their income further, flexible payment options—especially those that are interest-free—are becoming a larger part of the purchasing process.

Takeaway #1

Offering Installment Payments Is More Effective Than Marketing At Driving Conversions.

Bread's research shows that installment payments are as effective, if not more effective, than many traditional marketing tactics and customer experience elements.

More respondents would buy an item because installments were available than because the product was recommended by a friend.

Offering installment payments is also a bigger retail sales conversion factor than advertising or social responsibility. As we'll see, installments are increasingly being seen as more than just a nice extra feature, but as a deciding factor in purchase.



Takeaway #2

Customers Have Tight Budgets, and Need More Ways to Pay for Their Purchases.

Nearly half (47%) of shoppers will rarely allow themselves to exceed their budget. Affordability is key, because struggling to pay or dealing with high interest can pose significant financial difficulty.

Our finances and purchases have a real emotional impact, and the added strain of interest payments can leave customers struggling to make ends meet at the end of the month. 73% of shoppers have experienced significant stress about how to pay interest for a big-ticket item. When customers have to make a big purchase, the last thing they have to worry about is paying even more in interest.

This kind of stress can affect even our most important relationships. Nearly half of all customers (41%) have had an argument with their spouse or partner about buying a big-ticket item.

Instead of worrying about stretching a big payment on a credit card and paying it off with interest, customers prefer other options offered directly by the retailers themselves. And not only do they prefer additional payment options, they're starting to ask for them.

47%

rarely exceed their budget for a big-ticket item

41%

have experienced significant stress about paying back interest

73%

have had a significant argument with their partner about a purchase

Takeaway #3

Customers Want Their Favorite Retailers to Offer Interest-Free Payments.

85% of shoppers are interested in their favorite retailers offering interest-free installment payments, and more than half are very interested in 0% installments. However, our research has identified a payment gap in the marketplace.



Takeaway #4

Customers Will Shop More at Stores That Offer Installments, But Most Still Don't Offer Them.

Our research shows that customers are actively interested in installment payments. 74% of customers say they would shop more often at a store that offers interest-free installments. However, only 10% say installments are available at all of their favorite stores, and only 18% say they're available at most stores. The brands that close this gap will have a real advantage.

74%

of customers say they would shop more often at a store that offers interest-free installments

10%

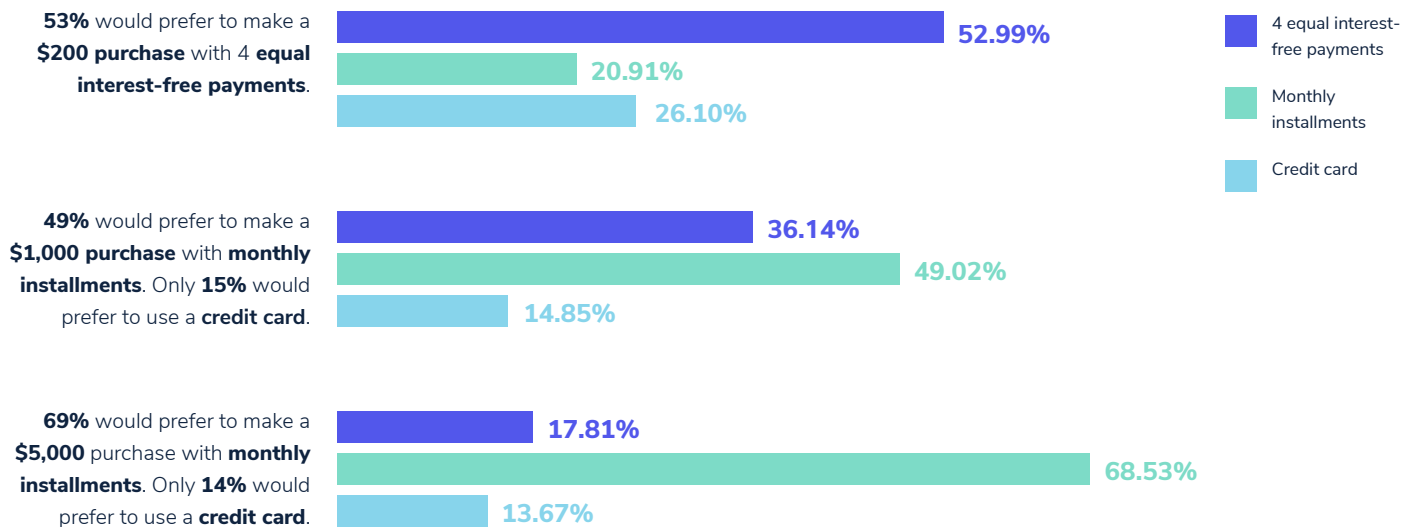
of consumers say that installments are available at all of their favorite stores

Takeaway #5

Shoppers Do Not Want to Put More on Their Credit Cards.

Interest-free payments are more compelling to customers than paying with a credit card. Based on our research, 36% of shoppers would prefer to buy a \$1,000 item with four equal, interest-free payments, compared to just 15% who would prefer to pay with a credit card. And 53% of shoppers would prefer to buy a \$200 item with the same payment plan, compared to 26% with a credit card.

Credit cards make it harder for customers to budget and pay for larger purchases over time, and they're looking for retailers to offer other options. While credit cards may be convenient for smaller purchases, the fear of incurring excessive interest payments and exceeding their monthly budget may be a major discouragement at checkout.



Takeaway #6

Payment and Price Will Be the Next Battleground for Brands.

Quality and reputation will always serve brands well, but they are far from the only factors that shoppers consider. Simply paying for everything up front is no longer their sole expectation—there are new payment options, and customers want access to them.

Credit cards are waning in popularity, and a fragmented media landscape means that traditional advertising is losing its formerly ironclad hold over customers' wallets. As social and other media channels multiply, so do the reviews, influencers, and sponsored content, watering down the effectiveness word-of-mouth recommendations once had. Customers, especially younger customers who lived through the most recent financial crash

and are wary of accruing more debt or high interest payments, are swayed by more flexible ways to pay for what they want and need.

The future won't just be about new marketing channels, new places to grab attention. The customer experience is becoming a bigger part of the equation—and payment options are evolving to become a bigger part of the customer experience. Whether it's shorter-term options that allow customers to split up payments without interest, or longer-term payment plans over a period of months or years, managing the dollars and cents of a purchase is rising as a method for getting customers' attention and driving their decision to buy.



Bread is a full-funnel, white labeled solution that help merchants reach more customers by allowing them to offer financing online. Retailers partner with Bread to transform the shopping journey by offering financing and marketing solutions that boosts sales, increases AOV, and improves conversions.

For more information about this report or about Bread, please email us at sales@getbread.com.

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