



Instalment purchases – an effective way to guarantee high shopping basket values

Paying in instalments is a convenient way to make larger purchases for many customers. It therefore comes as no surprise that online shoppers often prefer to make small, regular payments over a period of 3 to 24 months rather than pay the entire purchase price upfront. For merchants, instalment purchases represent a particularly interesting option, as they lead to significantly higher shopping basket values than all other payment types. The option to pay in instalments can also be used as a powerful marketing instrument for limited-time promotions with flexible interest rates and payment terms.

Unzer
your payment



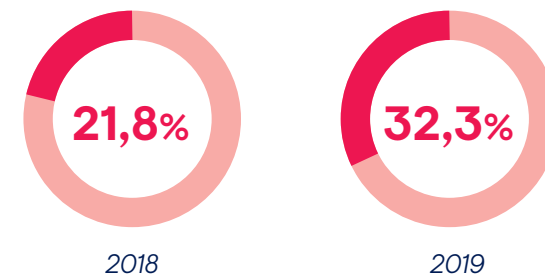
Payment in instalments ranks amongst the **three most popular payment methods** in Germany.¹

Instalment payments – flexible and trending strongly

Just like merchants, customers are keen to maintain control of their financial resources and pay at the most convenient time for them. When making larger purchases with shopping basket values in excess of €500, payment in instalments ranks among the three most popular payment methods in Germany¹. Shoppers rate transparent fees and the

option to select a payment term and interest rate of their choice as the most important factors². Depending on the level of the requested financing, the payment term can be individually determined. This can then help shoppers avoid getting into a financial tight spot, for example until the next Christmas or summer bonus is due.

Prevalence of instalment purchases as a financing option in the top 1,000 online shops



(EHI Online Payment Survey 2020)

¹Source: „Shopping 2020 – Developments in consumer behaviour and the relevance of instalment purchases“ by the Center for Research in Retailing (IFH) in Cologne

²Source: EHI Online Payment Survey 2020



423,48 €

The average shopping basket value for instalment purchases is €423.48. This is the highest of all payment options, beating credit cards, PayPal and even purchase on account

(EHI Online Payment Survey 2020)

For merchants, payment in instalments represents a great way to offer higher-priced products that customers consider larger investments, such as furniture, sports equipment or electronic items. As the EHI Online Payment Survey 2020 shows, the average shopping basket value for instalment purchases is €423, which is almost four times higher than the popular purchase on account option². Instalment purchases therefore increase revenue per completed sale.

Online shoppers generally stick to their preferred payment type and will even abandon a purchase in many cases if this is not offered². Uncertain framework conditions and a perceived lack of the necessary flexibility have led to a situation in which, according to a study of the IFH Cologne the use of the instalment payment option has risen by 8%¹. It is therefore surprising that not even 1 in 3 online shops offer any financing options². After all, instalment purchases account for 3.9% of total revenue in German eCommerce².

Accordingly, integrating instalment purchases leads to an increase in conversion rates, shopping basket values and revenue.



¹ Source: „Shopping 2020 – Developments in consumer behaviour and the relevance of instalment purchases“ by the Center for Research in Retailing (IFH) in Cologne

² Source: EHI Online Payment Survey 2020



Instalment purchases – the unknown marketing tool

When used intelligently, instalment purchases can be an additional instrument in the marketing mix. Not only can this payment type motivate shoppers to make impulse purchases or choose more expensive alternatives (for example through promotion at product level in the online shop), the interest to be paid can itself also be used as an advertising message (for example 0% financing) and thereby as a sales driver.

With flexible, secured payment partner solutions, merchants themselves determine the interest rate for their customer base. This allows customer behaviour to be analysed, as well as customer preferences to be tested and pitched at a level in keeping with the average purchase prices – all within standard market conditions and legal provisions.

Due to the long payment terms, meaning that some time will pass before

the final payment is made, it is a good idea to integrate the payment itself into the customer journey. With a secured white label solution in the design of the merchant that also includes dunning, instalment purchases automatically extend the customer relationship each time a payment is debited. The notices that an instalment payment is about to be made by direct debit or sent as a payment reminder for the next instalment, all of which are in the familiar look & feel of the respective merchant, can be used as a regular touch point for customer communication in the customer relationship.

Offering white label solutions means that payment partners are no longer visible, which in turn strengthens trust in the merchant. Integration is performed easily via UI components, while those looking for a more individual solution can use a software development kit (SDK) or REST API.



Factoring & Payment default protection :

- ✓ **Assumption of receivables**
- ✓ **Risk minimisation**

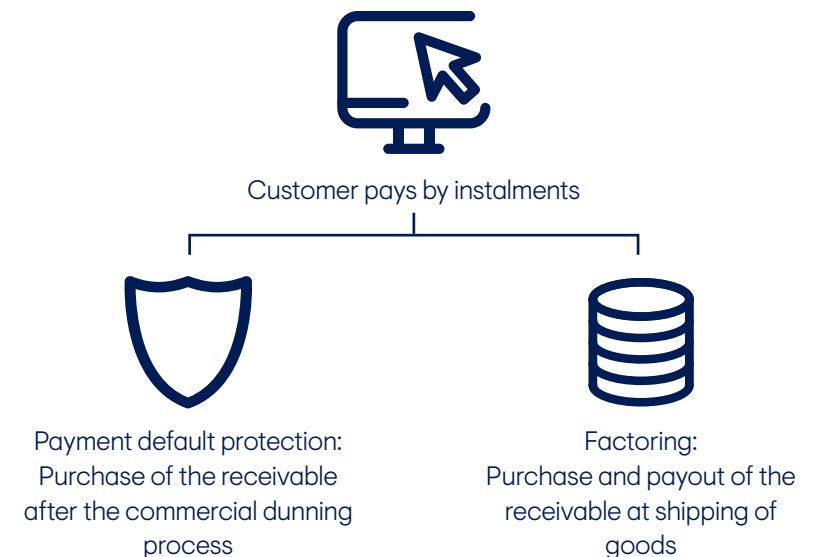
Risk-free financing

As the name suggests, instalment purchases involve the end customer spreading the total purchase price over several instalments rather than paying all at once. But the risk for merchants also increases with higher shopping basket values and longer payment terms.

With a payment partner at their side, however, this risk can be minimised. Even large sums with long payment terms can be accepted without any risk.

Assuming payment default protection is in place, the payment partner will then simply purchase any bad debts, for example if the commercial dunning process proves unsuccessful.

When using factoring, this also delivers a positive cash flow effect, since all receivables are purchased and paid immediately as soon as the products have been successfully shipped – regardless of the payment term selected.



Payment default protection

Online shops can protect themselves from unpaid invoices with payment default protection

Benefits of payment default protection:

- Integrate instalment payments without any risk
- Greater degree of planning reliability
- Protection from payment defaults
- Easy integration into the online shop

When offering instalment payments with payment default protection, the interest income collected is added to merchant revenue.

Factoring

With factoring, the payment partner purchases the receivables directly as they are generated.

Benefits of factoring:

- Offer instalment purchases without any risk
- Receive payment immediately, regardless of the payment term defined in the instalment plan
- Merchants no longer need to operate any dunning or enforced collection procedures
- Improved cash flow, better company credit rating



Real-time
credit check:

✓ **Increased
conversion
rate**

✓ **Minimised
risk**

Minimise risk – **control payment methods dynamically**

There is also the option to counter the risk even further by controlling the selection of payment methods dynamically before a purchase is even made.

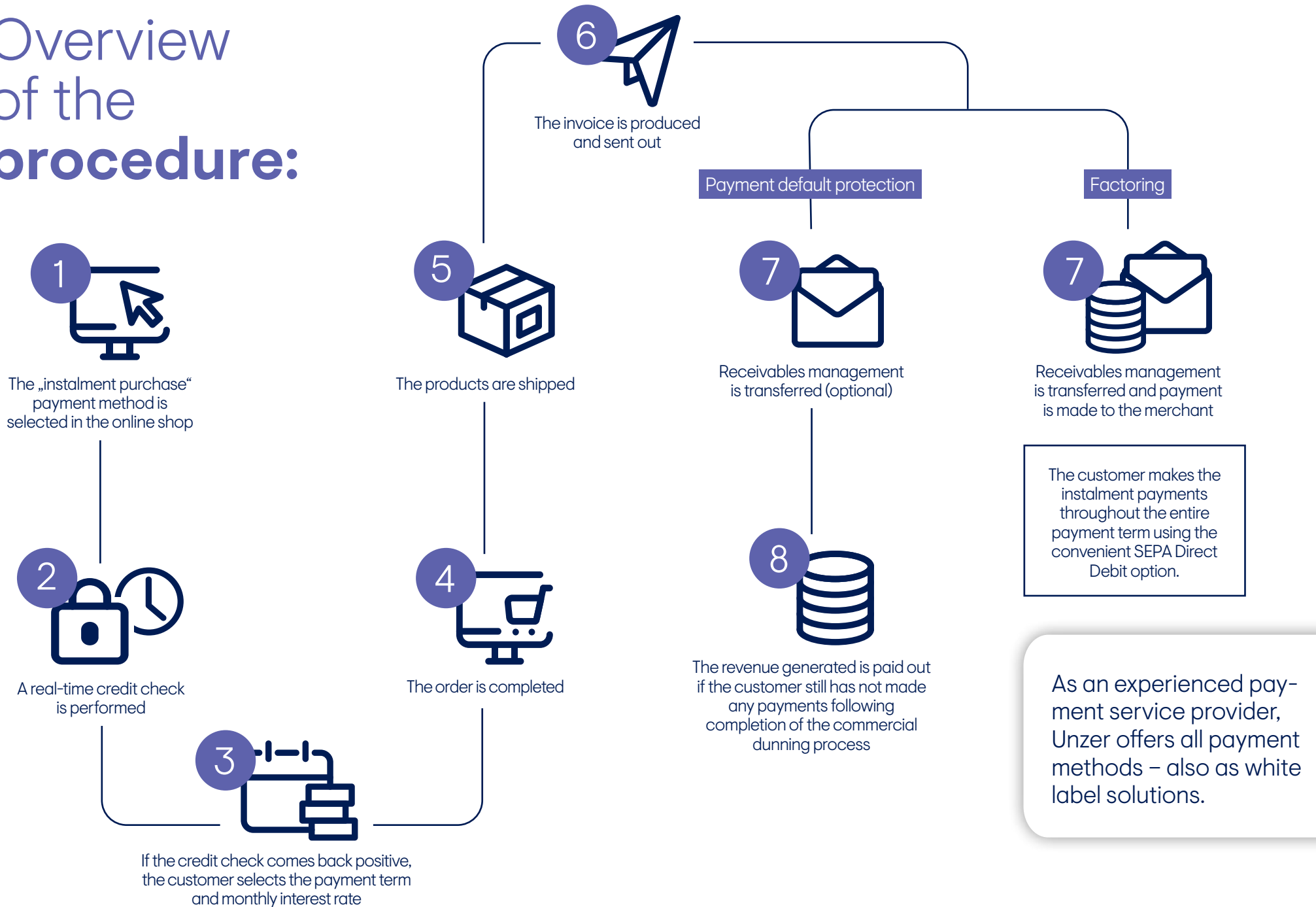
If a shopper selects instalment purchase, purchase on account or SEPA Direct Debit, a credit check is performed in most online shops. If the result of this check is negative, the shopper must select a different payment method. The transaction is otherwise declined during the checkout process – and the purchase likely cancelled.

Using a system of risk management allows merchants to dynamically control payment methods in eCommerce. The credit rating of their shoppers is then already verified during checkout before they are even shown the possible payment methods. If the rating is good, shoppers can then choose from all available payment methods. If the result comes back negative, they are only offered secure methods such as prepayment, PayPal or payment by credit card. This approach helps merchants increase their conversion rate and, at the same time, reduce their risks.

The benefits:

- Real-time credit check during the checkout process
- Flexible selection of the suitable payment methods per shopper
- Increased conversion rate thanks to a convenient, seamless checkout process

Overview of the procedure:





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While most online payment methods displayed scarcely any changes in use **compared to the previous year, the instalment purchase option enjoyed an 8% increase**.

(„Shopping 2020 – Developments in consumer behaviour and the relevance of instalment purchases“ by the Center for Research in Retailing (IFH) in Cologne)

The benefits at a glance:

- ✓ High shopping basket values
- ✓ Increased conversion rate and revenue
- ✓ Flexible payment terms & interest rates for customers
- ✓ No POSTIDENT processes
- ✓ Further marketing instrument
- ✓ Protection in the event of payment default
- ✓ Minimised risk
- ✓ White label solutions for all payment types
- ✓ Easy integration

Unzer also offers a dedicated solution for brick and mortar retailers: set up instalment purchases directly at the POS - fast, flexible and uncomplicated.

Unzer is a fast growing, innovative and modular platform for international payment transactions.

Companies of all sizes and from all sectors rely on the data-driven, secure and perfectly tailored solutions to help them drive growth - whether online, mobile or at the point of sale. The modules, which are easy to integrate, cover the entire spectrum of payment management: from processing of various payment types, through automated analytics of customer behaviour and requirements, all the way up to integrative risk management.

Unzer was founded in 2003 as "heidelpay". As one of the pioneers in the sector, the company has repeatedly introduced groundbreaking innovations in and around transaction management over the course of the last 17 years. Over 600 payment experts and tech enthusiasts throughout Europe today work on helping retailers achieve sustainable growth in a dynamic market. KKR has been the majority shareholder in Unzer since 2020.

Our payment specialists are happy to help, advise and support you if you have any questions.

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