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**SMALL BUSINESS**

# Online Merchants Look to Instant Financing to Boost Sales

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Isaac M. O'Bannon • Apr. 17, 2018



Online merchants in the U.S. are increasingly recognizing the importance of offering instant financing to shoppers, according to a new online e-commerce survey. Nearly two-thirds of retailers polled (64 percent) believe providing online financing options through their store is important to driving new and increased sales.

Forty-six percent indicate it would decrease cart abandonment – still one of the most critical challenges for online retailers today. The survey was released here by Klarna, a global payments provider.

Instant financing is an easy-to-use, revolving line of credit that consumers apply for within a merchant's online checkout. It enables merchants to offer consumers the option to spread payments over time with low APR financing offers and provides an attractive alternative to credit and debit cards when paying for an online purchase. It is particularly appealing to millennials, less than a third of which carry credit cards, according to a 2016 Bankrate survey.

“Instant financing is clearly recognized by online merchants as a means to attract consumers by providing additional freedom, flexibility and buying power,” said Klarna North America CEO Jim Lofgren. “The speed and simplicity with which consumers can apply and be approved for instant financing is widely believed to convert more sales.”

The online study was fielded between January 2 and 23, 2018 by Researchscape International on behalf of Klarna North America ([www.klarna.com](http://www.klarna.com)). The survey of 263 U.S. online retailers was designed to better understand their behavior, implementation and attitudes regarding instant financing and its impact on their business. The roles of respondents ranged within their organizations from manager to president. The credibility interval is  $\pm 9$  percent. The survey results were not weighted.

Following on to their belief that instant financing is important to boosting their bottom lines, online retailers also rated the top three most important features of point-of-sale (POS) financing as *simplicity of online application*, *speed of approval* and *keeping consumers on their sites during the approval process*.

The merchant survey, which recognizes the importance of instant financing among online retailers, corresponds with consumer attitudes as revealed in a Klarna-sponsored survey last year that showed:

- Three quarters of consumers (75 percent) indicate preference for online merchants offering instant financing
- 39 percent said they would spend more money if given instant credit options when purchasing goods and services online
- 28 percent would be very likely or completely likely to change merchants in order to use instant financing
- Nearly half of respondents (47 percent) would like to be presented with an instant financing option while shopping online

“Our survey of U.S. online merchants provides an intriguing look into the ‘sell side’ of the instant financing equation, and we’ve found similar patterns in terms of the growing awareness, acceptance and integration of this alternative payment option,” said Lofgren.

“Our goal is to create the smoothest possible payment transactions in the industry. We empower consumers with more choice and control in how they pay for their online purchases and we treat our customers fairly by clearly stating the interest rate they will receive upfront. We do not vary the rate by customer. At the same time, we empower our merchants by giving them the flexibility to offer the financing that helps them achieve their business goals rather than determining the rate unilaterally. This includes providing them with the quickest and most seamless instant approval process that does not take the customer away from the sites of our merchant partners.”

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