



Omni Capital

Retail Finance

*Powering purchases.
Improving lives.*

How You Can Increase Sales By Offering Credit

For Retailer Use Only

Introduction

Customers now expect to be able to spread the cost of their purchases, and for the process of applying for finance to be quick, and simple. Offering a credit facility to your customers can widen your target customer audience and in this guide we explain why that is, and how it can be achieved.

How offering credit can increase sales

Offering credit to your customers through a retail finance provider can help overcome one of the main barriers to making the purchase – affordability. Your customers can have the product when they want or need it, and can spread the cost over an agreed period.

Let's take a look at how offering credit might help with three key strategies:



Increase the number of customers that shop with you

Offering credit enables the ability to reach customers that may ordinarily be outside your target audience, either through promotional credit or offering the ability to spread the cost of the purchase. Some customers state they would not shop with a retailer that didn't offer finance as an option.



Increase the value of your average transaction

The ability to spread the cost of a purchase over a period of time could help the customer decide they can afford a more expensive option – which would perhaps give them access to a product or service with higher quality, specification or desirability.



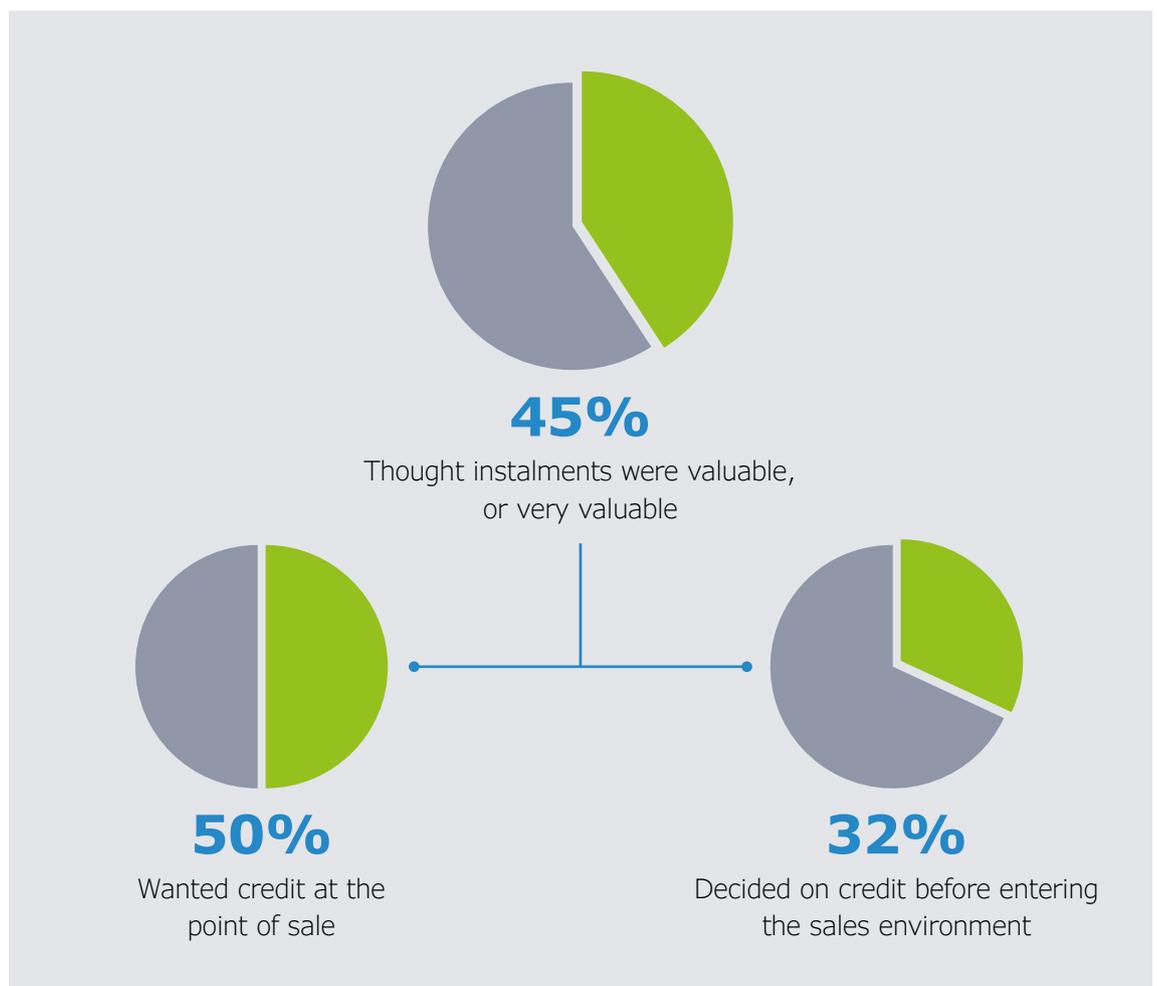
Increase the frequency of transactions per customer

This depends on the type of product or service that you offer – customers aren't likely to be in a rush to come back and buy a second conservatory or hot tub, for instance. But customers buying items such as white goods and household items, electronic accessories, jewellery or sports equipment etc. could well become repeat customers if credit is available to them to make the next purchase.

How appealing is the option to pay by instalments?

Research found that:

- 45% of customers found the prospect of paying for their purchase by instalments valuable, or very valuable
- When the 45% were asked at what point they would want to be given the option of paying by instalments, 50% said at the point of sale, with another 32% deciding before entering the sales environment (22% based on the type of purchase they were making, and 10% based on cost)



What types of in-store credit are available?

The credit options generally fall into three categories:



Interest free

Where the purchase price is broken down into a number of smaller payments, usually over 3 - 60 months, without any interest being payable.



Interest bearing

Where payments are again typically spread over anything from 3 - 60 months, but interest is charged on the amount borrowed and the total amount repaid includes any interest that has been charged.



Deferred payment loan agreement

where interest is due across the whole term of the loan (typically 24 - 60 months), but no loan repayments need to be made for a period when the loan starts. For example, it might be a 36 month loan, with no payments due for the first 12 month (meaning that the loan, plus interest, is repaid over the remaining 24 months).

Regulated and unregulated loans

If you choose to provide your customers with access to interest-free loans only, with payment terms not exceeding 12 months, you will be providing access to what are known as unregulated loans.

If you provide access to loans where interest is payable, or with a term greater than 12 months, you will be providing access to what are known as regulated loans. The UK's financial watchdog, the Financial Conduct Authority (FCA) sets additional requirements on the provision of regulated loans; most of these requirements sit with the company that actually provides the loan, but the retailer would have to meet some additional requirements too.

Whether you decide to offer unregulated or regulated loans (or both), the Financial Conduct Authority (FCA) has a set of rules to follow to ensure that the costs and conditions of the loan are clear, fair and not misleading to your customers. The retail credit provider that you choose will be able to help you understand the requirements, and your responsibilities.

Maximising the opportunities once you have a credit facility in place

Once you've got a credit facility lined up for your customers, you need make it work for you. The availability of credit needs to be promoted throughout the customer journey – from browsing, right through to basket fulfilment.

The following tips can help to help maximise the opportunities:

- Promote the availability of credit clearly and prominently in-store (if applicable)
- If you have a website:
 - Promote the availability of credit in a prominent position on your homepage, and on each page the customer goes through on their journey to the payment screen
 - Include highlights of the options available e.g. 0% interest, deferred payment options, shortest to longest loan terms etc.
 - Make it clear who the credit provider is and include their logo, so that customers can do some research if they want to
 - Include a separate 'Credit options' page on the website with more details, with a link to this page in the main footer menu
 - Provide a loan repayment calculator on the product page, so that the customer can explore affordability options before making their decision (the lender will normally provide coding that you can drop into your website to facilitate this)
 - Don't make any promises on your website about guaranteed credit (the lender will consider the customer's eligibility to borrow when the application is made)
- Make promoting the availability of credit part of your staff's standard sales approach
- Understand the lender's process, so that you can explain 'what happens next' to your customer
- If you are offering regulated loans, you need to understand the requirements, any restrictions (for instance what you can and can't say when promoting the credit), and your additional obligations. The lender will be able to help you with this



Choosing your credit provider

There are a number of companies that offer credit facilities – you can either access them directly, or via a credit broker. You'll benefit by building up a strong business relationship with the credit provider you choose, so you'll need to consider a number of factors when choosing who to partner with including:

- Do they specialise in lending to customers in your market sector
- The level of retailer and customer support they offer
- Are the product options and interest rates competitive
- Is the application process quick, and easy
- Can all your marketing channels be supported e.g. instore, by telephone, and online
- Can the customer manage their agreement online

Omni Capital Retail Finance ('Omni') is a market leader in all of the above areas, and can help you grow your sales by offering credit tailored to your customers, and to your needs.

To find out more about how Omni can help your sales reach the next level:

**Visit www.omnicapitalretailfinance.co.uk
or call us on 0333 240 8318 between 9am – 5pm Mon-Fri
or email us at sales@ocrf.co.uk**



Omni Capital

Retail Finance

*Powering purchases.
Improving lives.*

Operations Centre
Omni Capital Retail Finance, Belvedere House, Basing View,
Basingstoke, Hampshire, RG21 4HG

Omni Capital Retail Finance is a member of the
Finance and Leasing Association (FLA)

