



Point of Sale Financing: Exploring Non-Prime Consumer Perceptions of Retail Credit Offers



Executive Summary

As retailers continue to look for ways to serve their customers better, many have placed an emphasis on point-of-sale (POS) credit offers as an avenue to flexible financing. In turn, the checkout counter has become more than just a point of transaction; it is a moment where customers make important financial decisions.

Offering financing to customers has helped retailers close more sales. But in the current interest-rate environment, customers' ability to be approved for primary financing is not a given. Merchants have responded by using second-look financing programs to service their customers with less-than-perfect credit, otherwise known as non-prime consumers. By providing this targeted financing solution at the point of sale, retailers can increase acceptance rates and more effectively cater to their customers' diverse needs.

In May of 2024, Concora Credit partnered with The Olinger Group to survey attitudes and behaviors toward these alternative financing offers at the point of sale among non-prime consumers.

It focused on the following three aspects:

- ▶ Overall awareness of an alternative offer
- ▶ Influential factors or barriers considered before applying for a retail credit card
- ▶ Willingness to accept an alternative offer

The survey responses indicate a strong desire for credit among non-prime consumers. They look for new credit opportunities to help manage their finances, cover unexpected expenses, and improve their credit scores. They view credit as a valuable tool that, when used responsibly, can be a path to financial freedom. The strong interest in obtaining more credit is a good indicator that the non-prime consumer would be interested in point-of-sale credit offers.

Despite this, there is a significant lack of awareness regarding the availability of alternative credit offers



which leads to hesitancy among non-prime consumers to apply for credit at the point of sale. Only 10% of respondents indicated they knew about second-look financing. However, once informed, they exhibited positive perceptions and a greater willingness to apply for a point-of-sale offer. For respondents, knowing there was a credit solution specific to their credit profile helped ease fears and made them more confident in their ability to be approved. This underscores the necessity for increased transparency about alternative credit options a merchant has on offer.

For most people with non-prime credit, the offers they receive are quite different from the primary ones. With fewer credit options available, they tend to be less selective and more driven by the need to access credit. They see credit from a different perspective, focusing on how it can help ease their everyday lives. Retailers need to understand this when crafting their credit product offerings. They should focus on the most valuable rewards, discounts, or payment plans relevant to their non-prime customer. By addressing these specific needs and emphasizing practical benefits, second-look credit offers can become beneficial for both merchants and consumers.

This report delves into the survey findings and provides actionable insights for retailers to utilize their second-look financing program better.

Methodology

This study was conducted via an online survey from May 6 to May 9, 2024, with an average Length of Interview (LOI) of 12 minutes. The sample consisted of 902 respondents, including 404 current Concora Credit customers and 498 subprime consumers from a panel. Raw data was analyzed and reported by [The Olinger Group](#).

Screening Criteria:

- ▶ Age: 21-70
- ▶ Credit score: 700 or lower (non-prime)
- ▶ Annual pre-tax household income: \$20k-\$200k
- ▶ Exclusion: Respondents or household members working in competitive industries (advertising, market research, or banking)

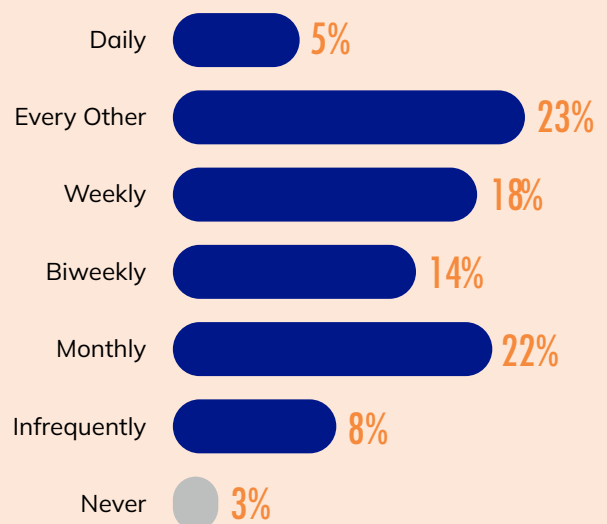


Non-Prime Credit Users Drive Demand for Alternative POS Financing Options

Among the many customers who engage with your brand are those with less-than-perfect credit. They are consumers whose credit profiles fail to meet set standards by primary lenders. They might have encountered financial setbacks, suffered from unplanned expenses, or simply have no history of credit usage. Whatever the reason, their credit profile makes engaging with credit offers feel like navigating a challenging path filled with obstacles.

Nevertheless, non-prime consumers often demonstrate resilience and resourcefulness in managing their finances, frequently relying on credit. The survey reveals that **90% of non-prime respondents have at least one credit card**, with 74% holding a retail card. Additionally, 46% use their credit cards at least once a week, indicating their reliance on credit for everyday purchases and the occasional larger or unexpected expense.

How frequently do you use your credit card?



Credit is Important to the Non-Prime Consumer

The survey reveals that non-prime consumers are actively working to improve their credit, with **89% using their credit cards to boost their scores**. Additionally, 76% make at least their minimum payment each month, and 70% frequently check their credit scores. This shows that most non-prime consumers are proactive in managing their credit and demonstrate responsible credit use.

The behaviors and attitudes exhibited by non-prime consumers toward credit products highlight their familiarity and comfort with using them. For retailers, this presents a significant opportunity. Over **68% of non-prime consumers want more credit** and will seek brands that offer a credit product.

“For the non-prime consumer, point-of-sale financing goes beyond providing immediate purchasing power,” says Rolando De Gracia, Chief Commercial Officer at Concora Credit. “For them, it is a valuable tool. It’s a path

to purchase without overburdening existing credit lines and an opportunity to improve their credit.”

Point-of-sale credit offers can help motivate non-prime consumers to buy from a merchant who meets them where they are and supports their credit journey.

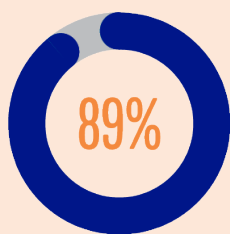
“
Building my credit is extremely important to me. And everyone has to start somewhere, it’s awesome that financial institutions are willing to work with people with a low credit score.

MILLENNIAL FEMALE

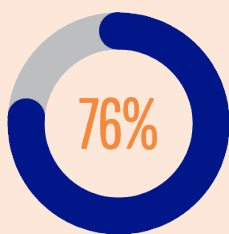
Usage Behaviors of Credit Cards

How much do you agree with the following statements?

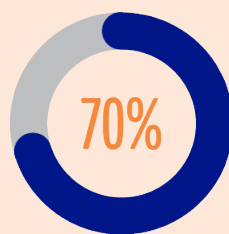
CHOOSE ALL THAT APPLY



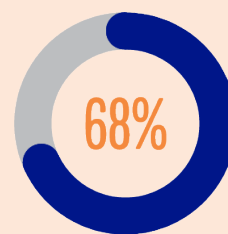
Trying to improve credit score



Make minimum payment or more



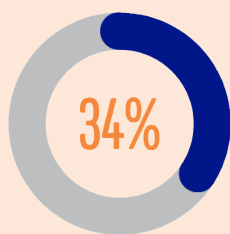
Check credit score often



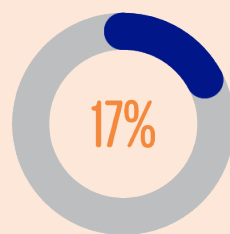
Want more credit



Use credit card for everything



Pay credit card off each month



Only use credit cards for bills

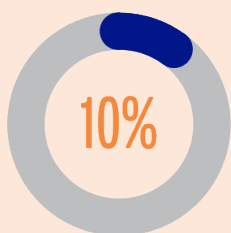
Consumers Are Generally Unaware of Alternative Credit Offers

Despite the apparent familiarity and proactive approach consumers in this segment have with credit, there is a significant gap between what they need and what they think is available. For customers with less than perfect credit, “the worst [shopping] scenario is being declined for financing and leaving without the item,” says De Gracia. But this scenario is all too common for customers who can’t meet primary financing requirements.

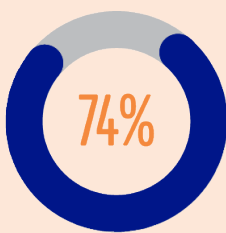
Although many non-prime consumers use credit actively, they are often not aware that there might be alternative credit offers available to them at the point of sale. Just **10% of survey respondents knew about second-look offers**. This lack of understanding creates a missed opportunity for the consumer and the retailer. For customers, this means missed potential in obtaining credit; for retailers, it translates to missed sales and potentially lost customer loyalty.



Do you know what a second-look financing offer is?



Yes



No

Have you ever received a second-look offer? ⓘ

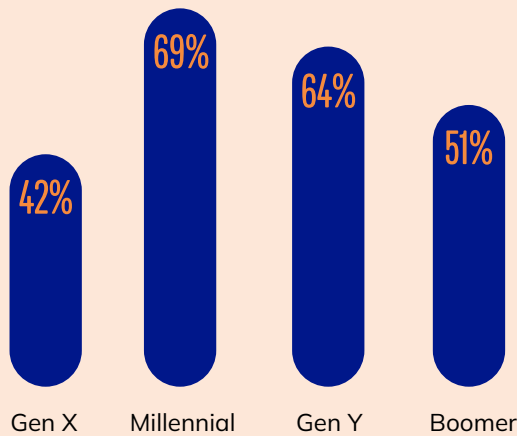


● Yes ● No ● Unsure

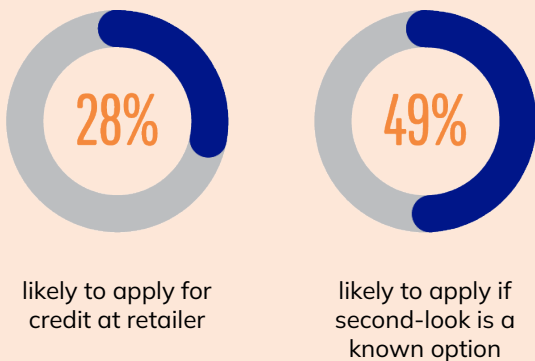
ⓘ A second look financing offer is a follow-up offer presented to an applicant who has been declined for financing after applying for an advertised offer either in-store or online.



Have you ever applied for a retail credit card?



How likely are you to apply for a retail credit card in the future?



Informed Customers Are More Likely to Apply at the Point of Sale

After learning more about a second-look offer, **86% of respondents were neutral or optimistic about the credit product**. Significantly, younger consumers showed more positive perceptions than older age groups, therefore indicating that there may be more openness for those of a younger demographic to pursue alternative solutions around credit. However, a perceived barrier still exists, with **23% of respondents stating that a fear of rejection was the reason they didn't apply** for credit at the point of sale.

“The key to embracing credit [for retailers] is to make sure that you can approve whoever walks through your door,” says De Gracia. “The reality for customers with less-than-perfect credit is that they are aware of their credit situation, so they understand why they are being declined for primary financing. Offering secondary financing allows retailers to turn these customers’ negative moments with primary lenders into offers and sales.”

Many respondents said that if they had known that a credit product was available specific to their credit situation, they would have felt more confident to apply. In fact, **49% said they would be likely to apply for a credit card if they knew a second-look credit offer was available**. This points to the critical role targeted marketing towards non-prime consumers plays in application rates.

Secondary credit offers foster positive customer experience

While feeling comfortable to apply is one aspect of increasing the utilization of alternative credit offers, it's also important to understand how the non-prime consumer would respond to receiving one. Of the respondents who've received a second-look offer in the past, the majority of them recall having predominantly positive emotional responses: **65% stated they felt hope and gratitude**. The number of negative emotions evoked was almost insignificant, which gives the impression that such an offer greatly enhances the consumers'

satisfaction since they feel supported and understood by the retailer.



The understanding that I have better odds of getting approved puts me a bit at ease.

GEN X MALE

Perceptions of Alternative Credit Offers

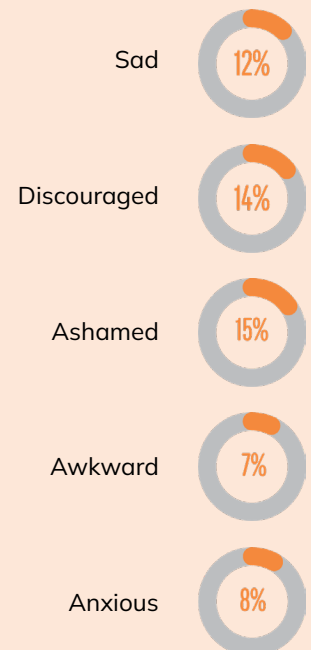
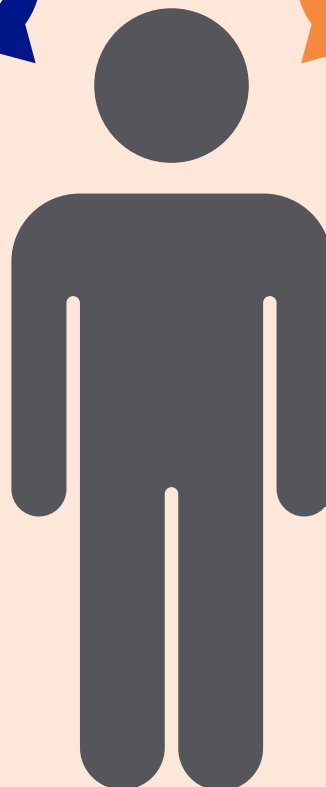
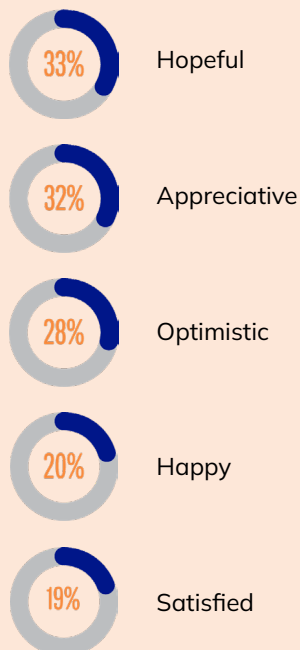
How would you feel if you received a second-look financing offer?

CHOOSE ALL THAT APPLY

74%
Positive



26%
Negative





Bridge the Gap in Consumer Awareness of Second-Look Credit Products

Making shoppers aware of second-look financing offers is a crucial first step to increasing credit card application rates. While retailers excel at promoting their primary credit, LTO, and BNPL solutions, they often fall short in marketing their second-look credit offers. This raises the question: *how can retailers make their non-prime customers more comfortable in applying for their credit offers?*

Due to the nature of second-look credit offers, marketing the program might not be as straightforward as it seems. Retailers may face challenges navigating their contractual obligations with other financing partners. However, overcoming these complexities can ultimately be rewarding as it could lead to increased application rates and sales volumes among the non-prime consumer base.

A Store Associate is a Retailers' Best Asset

In the in-store environment, store associates are invaluable in explaining available credit options. When asked about their decisions to apply, **30% of customers reported that a store associate was the most influential touchpoint**. In fact, store associates were more influential than recommendations from family and friends (18%), online product pages (15%), store signage (11%), and messaging on POS terminals/pin pads (7%).

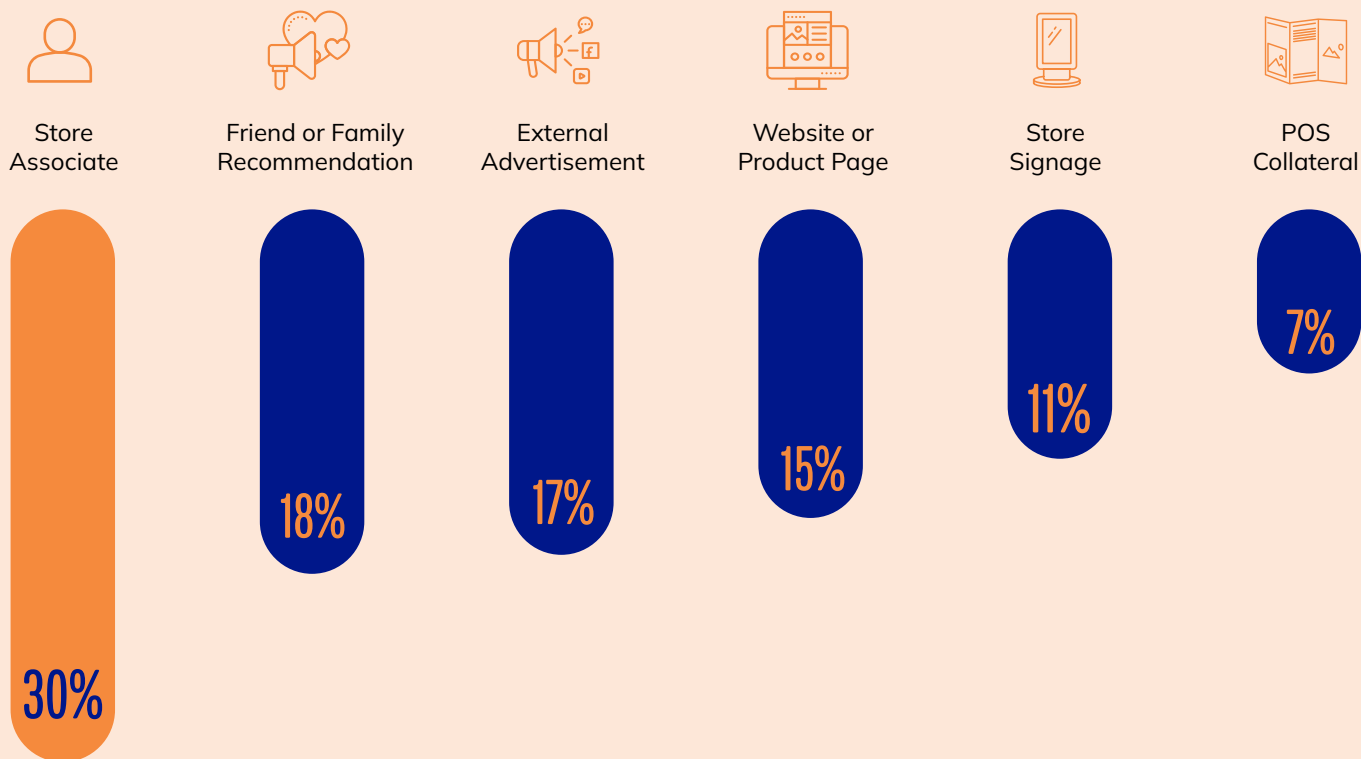
“Educating and empowering salespeople to effectively manage the credit decline conversation — which might be happening with 30% to 40% of financing applicants today — can become retailers' best-selling tool,” says De Gracia. Retailers should help sales associates feel confident discussing various credit products, including

second-look offers, which will, in turn, help customers apply with confidence.

While in-store signage and point-of-sale messaging are not as effective in persuading customers to apply for credit, they do prove very helpful as tools to alert customers to credit options. Signage can facilitate a conversation with a sales associate, or simply provide top-of-mind awareness.

Additionally, for customers who browse online before shopping in-store, a retailer's website becomes an essential sales tool for promoting credit offers. Including mentions of alternative credit products on the finance page informs customers of these options and gives them adequate time to review the credit details before deciding if it suits their financial needs.

Which where impactful to you in your decision to apply?



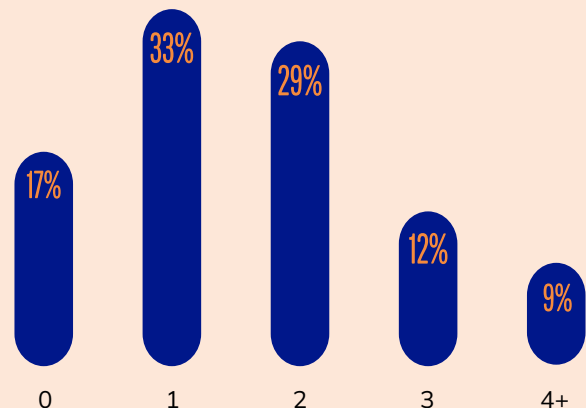


Non-Prime Customers Apply for Credit Cards the Offer Practical Advantages

Finding ways to unlock material benefits is important for retailers across industries. Creating an effective second-look credit offer requires knowing what non-prime consumers need out of their retail credit cards. These consumers, who often have limited credit options, are primarily focused on the functionality and cost of credit. Unlike a primary credit offer, the non-prime credit offer will focus on practical advantages to the cardholder.

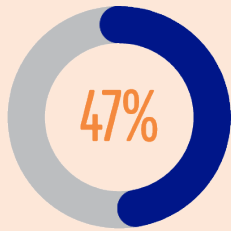
Retail cards play a significant role in non-prime consumer spending, with the survey revealing that a significant portion of non-prime consumers have applied for credit cards at the point of sale in the past three years. Specifically, an **average of 1.76 credit card applications were submitted per respondent**, with an average acceptance rate of 63%.

In the last 3 years, how many retailer credit cards have you applied for?

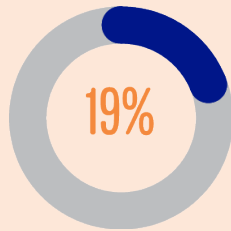


Planned Payment Method Before Applying for Credit

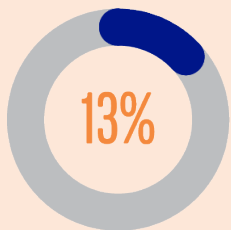
Thinking about the last time you applied for a retail credit card, which payment method did you plan to use for your purchase?



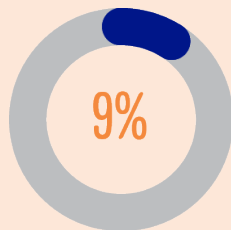
Debit Card



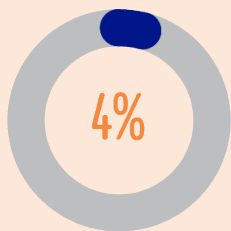
Credit Card



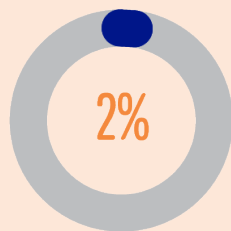
Cash



Financing



Digital Payments



Gift Card

Applying for Credit is Often Unplanned But Can Lead to Higher Basket Size

Interestingly, while most respondents initially planned to pay with their debit card (47%), **only 9% had planned to apply for credit or financing** prior to making their purchase.

Those who applied for a retail credit card at the point of sale found that their planned payment methods had little effect on their likelihood to apply for financing or changed their overall sentiment towards retail credit cards. Instead, the availability of a store credit card or financing option provided an attractive alternative, offering payment relief without depleting their cash funds.

The ability to switch from a cash or debit payment to a credit option at the point of sale is often a spontaneous decision driven by affordability and convenience. By not having to pay upfront, customers were more likely to make larger purchases or add additional items to their carts. For retailers, this perceived benefit is an effective way to achieve higher conversion rates and increase average transaction values.



Value-Added Benefits and Payment Plans are the Most Desired

The survey revealed that the **primary motivation to apply for a retail credit card is the discount or reward** offered, which is particularly enticing for higher-income consumers. Notable benefits included a first-purchase discount, cashback/point reward system, exclusive deals, or perks like fuel discounts and AAA membership. “Consumers often perceive they are getting a better deal, which justifies the decision to apply for a new credit card,” says De Gracia. “The sense of immediate gain is particularly persuasive.”

Conversely, **lower-income consumers and those with lower credit scores are driven more by affordability.** Seventeen percent of respondents wanted the ability to split payments into manageable installments, while 15% were motivated by the necessity of credit or financing to complete their purchase. When asked why they would apply for a store card, one mentioned that store cards are useful for items they need but can’t afford all at

once, allowing them to manage payments more easily. Another pointed out that they would consider applying if they needed a product and had no other way to afford it, underscoring the critical role of necessity in their decision-making process.

“Flexible payment options resonate deeply with non-prime consumers because they offer a sense of security” says De Gracia. “By knowing they can manage their payments in a way that fits their budget, customers are more likely to feel good in their purchasing decisions.”

Retailers should consider the specific needs and motivations of their customers when deciding which type of card to offer. Rewards cards will attract customers who are motivated by value-added benefits that enhance their shopping experience, while store cards will attract those wanting to spread out payments over time. This approach will help in building a credit product that not only meets the non-prime consumer’s needs, but also drives credit offer acceptance.

Why did you decide to apply for a retailer credit card?

CHOOSE ALL THAT APPLY



Why did you decide not to apply for a retailer credit card?

CHOOSE ALL THAT APPLY



Partner With An Expert in Non-Prime

Helping your customers requires having the right partner who can help you develop a credit program that will resonate. When choosing a second-look credit provider, it's essential to partner with an expert in non-prime credit who understands the unique needs of your customer base. With that in place, you can become a valuable resource for customers as they manage their complex needs.

To learn more about how Concora Credit can help you implement a successful second-look financing program, [visit our website](#) or contact our sales team today. Discover how our non-prime credit solutions can help you **Do More.**





A single purpose guides Concora Credit: to help non-prime consumers Do More with Credit. Through its credit servicing activities for issuing banks, the company has helped millions of consumers access credit through Private Label and General Purpose Credit Card programs designed for consumers with less-than-perfect credit. Concora Credit is the company of choice for merchants looking to offer greater access to credit for their customers because our flexibility delivers better outcomes at the point of sale and beyond. We see a bright future for consumers through our simple proposition that is best expressed in two words: [Do More](#).

[Learn More](#)

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