

Finding the Value in Long-Term Financing

Shoppers like the value and flexibility extended financing offers

By Kaprice Crawford

Shoppers looking to buy furniture are taking their time and doing their homework before making a purchase, including carefully researching value and financing. Consider some of the findings from Synchrony Financial and its 2015 Fourth Annual Major Purchase Consumer Study. The study reflects the experiences of shoppers making or planning to make a purchase of \$500 or more:

- Furniture shoppers surveyed conduct 85 days of research, on average, before making a purchase
- 77 percent begin their research online, and 80 percent of those conduct in-store research
- 39 percent of furniture shoppers also research financing options
- 74 percent of Synchrony Financial furniture cardholders surveyed said they “always” seek promotional financing options when making a major purchase
- 88 percent of furniture cardholders said they feel promotional financing makes their large purchases more affordable
- Nearly half (46 percent) of furniture cardholders said they would have not made the purchase, or gone to another retailer who offers financing, if it had not been available

These findings track closely with past major purchase studies, and underscore the value of financing for consumers considering large purchases such as furniture. This also aligns with other research conducted by Synchrony Financial that shows the value of specific types of promotions.

Synchrony Financial’s analysis of retailer financing promotions indicate that offering a private label credit card issued by Synchrony Bank with longer-term financing (18 months and longer), in conjunction with a minimum purchase strategy, can have multiple benefits, including generating higher average purchases, incremental sales and increased credit applications.

Offering longer-term financing also helps retailers stay competitive, since customers who are ready to buy may look for flexible options that help make their purchases more affordable. Forty-four percent of all HFA member sales through Synchrony Financial during 2015 were on 18-months or longer financing promotions.

Advertising longer-term financing promotions for a short period of time may also help attract new shoppers, build aware-

ness among existing customers, and drive store traffic. Synchrony found that setting a minimum purchase price for the longer-term promotions can help increase average ticket price. Consumers drawn by promotions who don’t want to purchase the required minimum may still want to take advantage of shorter-term promotional financing options.

Customers like the value and flexibility that financing over a longer term can offer. Some customers value deferred-interest promotions (no interest if paid in full within the promotional period) while others prefer having an equal-pay promotion with no interest to help with budgeting. For example, offering a 36-month term on a \$3,500 purchase brings the equal monthly payment down to less than \$100.

Finally, it’s important to note that longer-term promotions typically cost more than shorter terms. When implementing a longer-term promotional strategy, it’s critical that retailers have an effective minimum purchase strategy in place to ensure the incremental revenue driven by a long term promotion covers the extra cost of that promotion.

Through the Home Furnishings Association, Synchrony Financial offers a range of attractive financing options to help meet the needs of your customers so they can purchase the furnishings they need for their home in a way that fits their budget. By offering options, furniture retailers can help ensure customers are able to plan their purchase and choose what’s right for them.

For more information about HFA and Synchrony Financing please email our membership team @ membership@NAHFA.org. **NOW**



Kaprice Crawford, the Home Furnishings Association's director of education, can help answer your questions about Synchrony financing and other HFA membership benefits. Call 800.422.3778.

Synchrony Financial data analysis of Home Furnishings Association members offering a private-label credit card issued by Synchrony Bank.