



Break it Down for Me

Installation payment option reaps rewards beyond increased sales

by LAURI GIESEN

Just a few years ago, luxury online retailer Jomashop relied on customers using only a couple of options to pay for purchases. The seller of high-end watches and gifts wanted to make its products available to a wider range of customers, though — and decided one way to do so was to spread the cost over multiple payments.

“I was shocked at the amount of people who wanted to use this payment option,” says Osher Karnowsky, Jomashop’s general manager. “We thought this would just appeal to people making high-ticket purchases, but we are finding that people are using it to buy \$150 watches as well.”

In just one year, the online installment payment service from Affirm has grown to account for 6 percent of Jomashop’s total sales, volume that Karnowsky says is much higher than the company expected.

Not only have Jomashop’s total sales increased, but the average ticket size has risen as well. Other transactions average \$400; with the Affirm financing plan, the amount increases to more than \$600.

Jomashop selected the Affirm option after seeing it at a trade show. “I like

the fact that the executives had payments backgrounds and they listened to us and what we wanted,” Karnowsky says.

‘PEACE OF MIND’

Affirm was started by Max Levchin, a co-founder of PayPal. Its biggest benefit has been its strength as a marketing tool to encourage customers to purchase more expensive items and buy more overall.

“If customers see an item they like, they might be turned off if they see a \$1,750 price tag,” Karnowsky says. “But if they see right away they can purchase the item with a monthly fee of \$153, they are more likely to purchase it.”

Affirm provides Jomashop with reports on what was purchased using its service. “We can see what orders opened and closed. We can filter it by dollar amounts. They make it easy to work with,” he says.

Affirm also allows retailers to set the terms and conditions of returns and chargebacks. In Jomashop’s case, returns can only be made if the product is still properly sealed.

“We have a problem with customers who will buy a \$2,000 watch and

wear it for a special occasion and then return it with scratches on it,” Karnowsky says. “With the credit card companies, we usually lose the chargeback challenge and we are stuck with a watch we can’t resell.”

Len Eschweiler, senior vice president of retail for Affirm, says the company’s chargeback policies support the return policies set by the retailers. “As

long as they adhere to regulatory policies, we work with the merchants to decide how they want to set their policies,” he says.

Affirm assumes the risk for fraud, which “gives us a high peace of mind,” Karnowsky says.

CROSS-INDUSTRY INTEREST

Jomashop has plans to work with Affirm to develop co-marketing plans; one such promotion will include no interest on certain items for a specified period.

“We are working closely with them, testing several messages on our sites to see which ones are the most effective in driving sales,” Karnowsky says.

The financing option is available on



most of Jomashop's products, and the company is finding that people use it on even lower-priced items. "We do turn off the feature on products priced below \$75," he says. "It doesn't make sense to offer financing on a \$30 watch."

Affirm's installment payment plans are offered by more than 700 retailers, primarily online merchants, according to Eschweiler; ideal candidates are retailers that sell high-ticket, low repeat purchases such as power equipment, furniture, appliances and auto parts.

Online service providers have also begun using the system, such as companies that offer travel and ticketing sales; Affirm has some pilots with retailers that sell primarily in bricks-and-mortar locations, and the

fashion and apparel industry is also showing interest.

"We're [seeing] customers who find they can purchase an entire outfit now rather than just a few pieces," Eschweiler says. "It is helpful for customers who are trying to dress to impress or parents that have to make a lot of purchases for their kids to go back to school."

He says that one fashion retailer saw an 82 percent lift in ticket size from offering Affirm's installment plan.

"We add a lot of value to our retail customers. Most are seeing double-digit growth in total sales," Eschweiler says.

Jomashop pays Affirm a percentage-based fee on every purchase that involves the installment plan; Karnowsky

Average ticket sizes increase by **\$200** for transactions with the financing plan.



says the fee is justified by higher order values and lower risk.

"We charge 3 percent for the service," Eschweiler says, "but if a retailer can drive sales by even 10 to 25 percent on their top line, there is huge payback."

MOBILE OPTIONS

Customers like that they pay a pure interest rate on their purchase. "There are no late fees or additional processing fees," Eschweiler says. "Customers know right from the start what they are going to pay and how they will pay it."

Key to making the service work, however, is establishing a good marketing program from the beginning and making payment terms available to customers as soon as possible. "We've learned as we grow that if we plug in early in the buying process, customers are more likely to buy. Customers will know that they can afford a product before they get to the check-out page," Eschweiler says.

For example, monthly payment costs through the installment plan should be integrated into e-mails that are sent to customers as well as display and other product advertisements and product pages.

"Getting the information out early has a strong impact on retailers' conversion rates," Eschweiler says.

Affirm is also developing special marketing programs for merchants that see a lot of mobile traffic. Although mobile purchases have always been a part of the Affirm product, the firm is looking at what it can do with retailers to further increase mobile sales.

For example, retailers can make it easier for repeat customers to log in using a mobile device to make a purchase by providing a special code that shoppers use on additional purchases.

STORES

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