



# Giving Credit Where Credit is Due

Build.com leverages financing platform to increase approval rates and purchase sizes

by M.V. GREENE

Springtime is an especially good time of the year for the retail home improvement portal Build.com. Project professionals, contractors and do-it-yourselfers emerge, ready to work on remodeling projects, upgrades and maintenance of their homes, businesses and properties.

Such is a rite of spring for Build.com, founded in 2000 in Chico, Calif., and specializing in online merchandising and sales of products and supplies for bathrooms and kitchens along with lighting hardware, plumbing, heating and air conditioning, décor, furniture and appliances.

Home improvement items can often come with often-hefty price tags. A high-end

steam shower enclosure with a shower system, for instance, can be more than \$3,000. A new, contemporary island for the kitchen can start at \$1,100, and the sparkling chandelier above it might have a price of \$500 or more.

Build.com is a prototype online-only retailer — a destination for consumers seeking competitive pricing, dedicated service and product advice. Many of the company's more than 600 employees have titles like account manager, consumer chat sales representative and customer experience chat rep, listed prominently on the website for direct interaction by email, live chat or phone.

To ensure fruitful selling seasons, Build.com needed to bring the same support to the all-important segment of consumer financing. If the brand was going to continue to prosper — Build.com was rated by STORES as No. 5 in sales growth among the nation's fastest-growing retailers for 2017 — consumer-friendly credit financing had to be available.

## SINGLE APPLICATION

That meant addressing two key financing opportunities, says Build.com project manager Cory Iler. One was to give customers more purchasing power, and the other was to offer them more financing options.

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— Cory Iler, Build.com

To meet those goals, Build established a partnership with Vyze Inc., a technology vendor that offers a cloud-based financing platform. With Vyze, Build rolled out its own private-label credit card program through the platform last November.

Iler says the Build.com card offers convenience for its customers — namely that they do not have to tap into already-established personal lines of credit.

“A lot of customers would not want to put a \$10,000 to \$15,000 remodel purchase on their personal credit card lines,” Iler says. “We’re offering them a line of credit that is completely independent of that. They can still get their remodel done and not tie up their ‘everyday’ money.”

Build.com card customers can complete a single credit application to make purchases with deferred-interest financing on purchases greater than \$500; other features include an initial-order discount and free shipping. Customers can apply for the credit card in advance through the Build.com call center or at the point-of-sale.

“We give them more money with a better rate than their current cards will,” Iler says. “Instead of doing that one bathroom, they can do both bathrooms, or maybe both bathrooms and a kitchen.”

Vyze’s technology platform provides a single integration system via the Build.com website through pre-established agreements with multiple lenders to serve a variety of customer credit profiles, including below prime. The system matches consumers with the best possible offer available: If a customer is denied for a store’s primary credit card, their application is routed automatically to other lenders with different credit requirements as approved by the retailer.

Other retailers on the Vyze platform include The Home Depot, technology retailer Adorama and ICON Health &

Fitness, which markets NordicTrack products.

Iler says the average ticket size for a customer with the card is triple that of a customer who uses another payment method.

“We wanted to see customers buy more and more often with the card,” he says. “Our hypothesis was that if someone signs up and gets approved for a Build.com card, that tells us that they want to buy from us. They’re not going to spend that money anywhere else. So we expect these customers to spend more money and spend it more often with us, and that’s what we’ve seen so far.”

#### DYNAMIC CREDIT

Both lenders and retailers have come to recognize that linking “strong credit capabilities” at the point of sale presents great value for both a retailer’s customers and its bottom-line sales, management consulting firm McKinsey & Co. noted in a report called “The Digital Transformation of Merchant Credit.”

Through digital technology, according to McKinsey, merchants and credit issuers can use consumer data on which to base credit offers that propel consumers to make purchasing decisions by “maintaining continuous, tailored engagement throughout the decision process.” For example, McKinsey says, one tactic is to present consumers with tailored offers that combine credit and product discounts.

Like many companies competing in the ongoing digital transformation, Build.com uses data with a zeal to help it understand the needs of its potential and current customer base. To get word out about the Build.com card, the company sent targeted email blasts to registered users along with running social media campaigns on Facebook, Instagram and Twitter.

Doug Filak, Vyze’s chief marketing officer, says the capability for Vyze’s retailer partners to have access to multiple lenders serving their customers on a single platform supports the vital category of customer approval rates.

In traditional retail financing, much of credit approval is geared toward so-called “prime” customers with the best credit profiles, effectively shutting out other credit-worthy customers and denying the retailer of sales opportunities, Filak says. In such a model, he estimates that only 25 to 50 percent of the customers get approved.

“What we’re able to do, by bringing in these multiple lenders, is bring in not only what we call the near-prime customers and non-prime customer, but also actually provide financing options for sub-prime customers as well,” Filak says. For sub-prime customers in the lower end of the financing market, for instance, the retailer might opt to include a program on the Vyze platform that offers an option for lease-to-own financing.

Filak says Vyze’s platform serves as an “insurance policy” in many respects for retailers seeking to ensure viable financing options for customers.

“Retailers get pretty frustrated with that single lender model because they are losing a lot of customers who can get financing and buy more and become much more loyal customers,” Filak says.

He says The Home Depot has seen its typical 50 percent credit approval rates rise now to 70 to 80 percent, resulting in a more desirable customer experience at checkout.

Key for consumers using the Vyze financing platform through retailers like Build.com is they do not have to continually apply for credit each time they take on a project, Filak says.

“We know that consumers want flexibility in credit products,” he says. “What we’re able to do is provide a solution that is dynamic enough to grow with them, change with them and change with the market trends.” **STORES**

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