

How to Use Your Credit Card Program to Win Against Buy Now, Pay Later

Digital Capabilities Are the Key

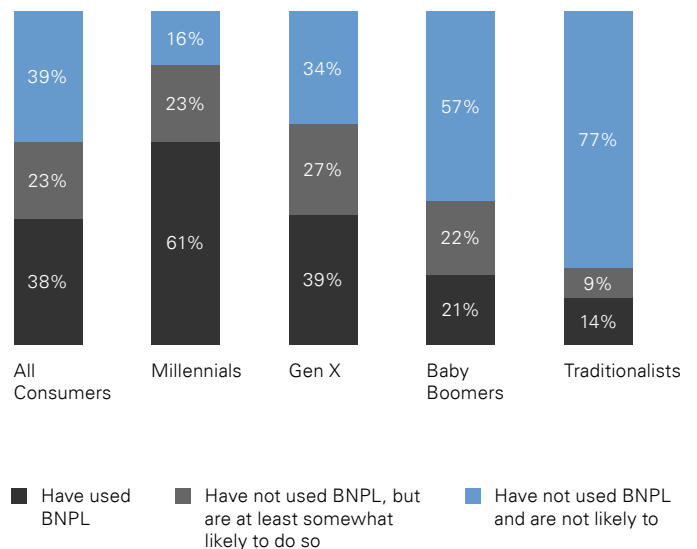
Buy now, pay later (BNPL) payment options from non-traditional financial services providers are having an impact on credit card spending, as well as the profitability of credit card programs that rely on revenue from credit lines and interchange fees. By implementing new digital capabilities for credit cards, financial institutions can compete against BNPL and elevate their card to top-of-wallet status for their consumers' in-the-moment payment choices.



Buy now, pay later offers are designed to target discretionary consumer spending that was previously the domain of credit cards. According to recent research by Raddon®, a Fiserv company, 39% of consumers have used a BNPL option, and an additional 23% expressed a likelihood to do so.

For credit card issuers, lower transaction volume is a double-loss to the bottom line: it may translate into fewer consumers who roll their monthly balances and deliver fee income, and it negatively impacts interchange income.

Use of, and Likelihood to Use, BNPL



Source: "The Rise of Buy Now, Pay Later," Raddon Research Insights, February 2022

The consumer attraction to BNPL is easy to understand. It presents a low-cost, or lower-cost, way to acquire the goods they desire "in the moment." But credit card issuers do not have to stand idly by. BNPL represents an opportunity to reassert the primary financial role your financial institution has worked hard to establish over decades: to be a trusted financial partner and the lender of choice for these purchases.

By implementing new digital offerings, you can deliver customer payment journeys that provide cardholders with convenience and security, and elevate your credit card to top-of-wallet status for payment choices.

Make Your Credit Cards Instantly Available

Many consumers are choosing BNPL because it is extended at the time of purchase. Making credit cards just as easy to use provides you with an opportunity for your card to be chosen.

To level the playing field and compete successfully, credit cards can be issued digitally and available to consumers to provision into their digital wallets immediately. This quick process will give consumers instantaneous access to a new card and a simple way to use it at checkout. No longer will consumers need to search for a physical card, or key-in card details, to pay manually. Saving these precious minutes with digital card issuance makes it easier for consumers to complete a purchase for an appealing merchant offer.

Provide Secure and Enriched Transaction Information

One of the main concerns consumers have about credit cards is their own usage and spending patterns. Providing cardholders with detailed insights regarding their spending through enriched transaction information makes it easier for them to understand their purchasing habits and empowers them to make informed buying decisions.

Spend insights need to be delivered with meaningful data, while also being simple enough to understand at a glance. Providing high-level views that include relevant data like “spend by category” and “spend by month” will provide your cardholders with significant insight into where their dollars are going, and enable them to measure month-to-month spend changes.

An enriched set of transaction information can make the difference between a panicked consumer who is worried about fraud and someone who is secure in the knowledge that each purchase is one they’ve actually made. The transaction data should include actual merchant names, retail locations for physical purchases, the transaction amount, and purchase date. The more details you’re able to provide, the better informed your consumer will be. Ideally, transaction details will include merchant contact information, so consumers can make any inquiries about their purchase directly with the merchant.

Create Offers That Make It Easy for Cardholders to Say “Yes”

Many credit cards already offer the ability for cardholders to pay off larger purchases in planned installment payments. This capability gives the consumer confidence that their debt will be paid quickly, and often provides them with a lower interest rate – all while capturing the spend on your financial institution’s credit card.

Communication remains one of the key concerns for credit card issuers looking to be the payment method of choice. BNPL options show up at the point of sale, and financial institutions need to make sure their offers are top of mind in this critical moment as well.

One way to make sure cardholders keep their credit card as a first-choice payment option is to provide location-based, contextual offers via text or push messages. As your cardholder enters a furniture store, push an offer to their phone: “In the market for a new couch? Any purchase over \$100 can be split into six monthly payments with a 0% interest rate.” A message as simple as this reminds consumers that your card is available and a new credit line, like the ones provided by BNPL, is not necessary.

Another option is to provide clear communication about the availability of installment plans prior to purchases. Include information about the plans in the regular consumer-focused communications you distribute and share – such as emails, physical mailings or ads – so cardholders know they can set up a payment plan post-purchase.

Compete – and Win


The consumer payment experience is a significant factor in engendering trust and loyalty. You can successfully compete against BNPL and be the payment method of choice by creating and delivering a purchasing journey that engages and delights your credit cardholders.


About the Author

Randy Piatt is Vice President, Product Solutions and Marketing, at Fiserv. Randy and his team are responsible for developing and delivering effective product strategies and messaging for card-based digital payment solutions.

Connect With Us

For more information about
Card Solutions from Fiserv:

 800-872-7882

 getsolutions@fiserv.com

 fiserv.com

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