

Ikano Bank support furniture retailer in driving down the cost of finance

Ikano Bank offer a unique product within the marketplace allowing customers to choose the length of their loan term based on the amount they can afford to pay each month. The product assists with driving down the cost of finance for the retailer and increases the margin per finance account. The product is referred to as Flexi-Pay.

The furniture retailer acknowledged that offering finance delivers more new customers but has an associated cost. Ikano Bank were challenged with proving that the Flexi-Pay product could be used as a sales tool to drive the cost of the finance sale down and increase the margin per finance account.

16 Week Flexi-Pay Trial

Ikano Bank recommended running a 16 week Flexi-Pay regional trial. To demonstrate that the product drove incremental sales versus the cost of finance, control stores were matched like for like and continued to offer the existing IFC product on limited loan terms (6, 10, 20, 30 and 36 months).

Enhancing the Customer Experience

Stores offering the Flexi-Pay product were provided with a simple slider tool to demonstrate to customers how the loan term could be adjusted to suit their monthly budget.

Cost of Finance to the furniture retailer reduced by 6%

The trial increased finance penetration, drove a higher average transaction value, and reduced the average term. In terms of the financial benefit to the furniture retailer the cost of finance reduced by 6% and the margin per finance account increased by £26.20.

Ikano Bank was keen to gain customer feedback to support the results, so targeted customers that had taken out Flexi-Pay within the trial. Ikano Bank ran interviews which focused on the customer journey when making a purchasing decision, their understanding of the sales process and the comparison of actual spend versus intended spend.

The research highlighted that of the customers who intended to use their own finance, 60% took out finance and on average spent £128 more; 34% switched and took out finance based on the flexibility of the product; and 82% were made aware of the finance offering through conversations with the staff member. The furniture retailer in-store staff played a significant role in the customer experience by creating awareness of the Flexi-Pay product.

“The trial has delivered some great results and will benefit us from reducing the cost of finance. Customer feedback has been really positive in terms of the flexibility of the product. We’re now working on plans to roll this product out across all stores within the next few months.”