How To Set Up and Offer Financing to Customers?

Finance Insurance

Let's Learn

Introduction

Cash flow is the oxygen of the business. Customer financing is the lungs!

If revenue is the heartbeat of a business, then customer financing is what keeps it breathing. Without it, even the most healthy business can suffocate under operational and market pressure.

Part 2 of this series guides business owners to avoid the process of setting up the financial setting up business financing options, followed by a deep analysis of the many types of customer financing models. The 2nd part will be a practical guide on how to set up financing.

Step 1: Selecting a Customer Financing Solution

Step 2: Setting Terms To Offer Financing To Customers

Step 3: Integrating Financing into the Workflow

Step 4: Launching And Monitoring Performance

Step 1: Selecting a Customer Financing Solution

The global consumer finance market can be growing at a CAGR of 7.1%, and is projected to reach around $9.5 trillion by 2030.

The business to business (B2B) financing is also taking off as B2B BNPL payments will touch $80B in billions by 2026.

These trends are a testament to the increasing need for flexible financing options in all sectors of life. Even, Millennials are increasingly using buy-now-pay-later (BNPL) services for their purchases, not just for luxuries.

Credit Decisioning

The customer financing solution should support automated risk assessment through real-time credit scores, bank statements, and alternative data, to offer financing to customers. For example, Kaleidoscope's underwriting platform uses machine learning-based scoring to deliver instant approvals for underbanked customers.

Workflow Automation

A good financing solution works on automating the entire financing workflow, from application to approval, to contract generation, payment schedules, collections and reminders. This reduces manual overhead and automates billing through well designed software to be connecting to ERPs and accounting systems, reducing manual overhead.

Analytics And Reporting

Look for robust reporting on important metrics like repayment performance and delinquency rates. Platforms with strong analytics helps optimize credit options. There are financing solutions that offer real time dashboards showing portfolio health and customer behavior patterns. Use of AI to reduce default risk, machine learning can keep a check on customer behavior.

Integration Options

When choosing from the different customer financing options, it is essential to check whether they integrate with your existing billing and accounting systems. The smarter the integration, the faster the team's workflows will be. Look for solutions that connect with your ERP, CRM, and payment gateways to avoid manual data entry and sync data automatically.

Compliance And Regulations

A financing provider should be licensed and legally structured to offer credit in the customer's jurisdiction. Look for solutions that automatically handle KYC (Know Your Customer) and AML (Anti-Money Laundering) checks, handle all customer verification and data security practices, so that the business can focus on growth without worrying about legal compliance issues.

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Financialinsurance, Affirm, Klarna, and Others: Which Financing Model Is Right?

Financialinsurance, Affirm, Klarna, and Others: Which Financing Model Is Right?

Financialinsurance has two variants: "Pre Performance" that business-wide financing, and "Post Performance" that supports specific projects. Both offer flexible configuration options and transparent pricing, with flexible payment options and changes very merchant-friendly.

Here are the key differences between Financialinsurance™ and other customer financing platforms:

	Financialinsurance	Affirm & Klarna (BNPL)
Pricing	Flat, transparent, with no hidden fees or compounding interest	10% - 30% annual flat rate, with late fees and penalties
Customer Experience	Customizable flow, branded portal, multi-channel support, no-code setup	Consumer-facing, limited customization, standard checkout widgets
Integrations	Pre-built integrations for ERP, CRM, accounting, and payment systems	Multiple integrations, primarily for retail checkout
Financing Flexibility	Custom payment plans, multi-currency, multi-entity, multi-product	Limited fixed payment plans, single currency
Risk Ownership	With the customer, the platform provides the framework	Affirm / Klarna take on the risk and underwrite
Late Fees/Penalties	Must be flight when applicable, fully configurable	Affirm/Klarna charge late fees and penalties

Disclaimer: The information in this table is for general comparison purposes only. Platform features may vary based on enterprise business needs and plan selections.

Step 2: Designing Terms To Offer Financing To Customers

Deciding the customer financing terms is the most most important step in building a sustainable financing program. The right terms balance customer affordability with business risk, ensuring the program actually helps customers and does not create the full impact, potentially creating higher profitability.

Key Terms to Consider When Setting Up Customer Financing Terms:

- **Business Defined vs Human Financing Models:** Decide whether the business is offering financing to other businesses (B2B) or directly to consumers (B2C). The approach, risk assessment, and terms will differ significantly between these two models.
- **Interest Free Or Interest Bearing Models:** Interest-free models can boost sales but impact profitability, while interest-bearing models generate revenue but may deter some customers. Choose based on the business's margins and customer sensitivity to pricing.
- **Flat Fees Or Percentage Based Fees:** Flat fees are simpler and more transparent for small transactions, while percentage-based fees scale with the transaction value and are more suitable for larger purchases.
- **Late Fees & Customer Relationships:** Late fees can boost revenue but may damage customer relationships. Consider the impact on customer retention and lifetime value before implementing late fees.
- **Grace Period:** Offering a grace period before the repayment begins can improve customer satisfaction and reduce early delinquencies, but it also delays cash flow. Balance the customer's need for flexibility with the business's cash flow requirements.
- **Risk Management:** The financing provider takes on the credit risk, simplifying the process for the business.
- **Streamlined Integration:** These financial solutions often have ready-to-use integrations with popular accounting software, ensuring seamless operations on the backend.

An example is Flexport which offers financing models where terms are predefined by Financialinsurance™, while the partnership is that Flexport doesn't risk charge any merchants in the business.

Step 3: Integrating Financing Into the Workflow

Now that the financing model and terms are decided, the next step is to integrate the financing into the customer journey. The goal is to make it as mobile customers experience that financing is a natural and frictionless part of the purchase, not a separate, disruptive process. Here are the key ways to integrate financing into a customer's journey, starting with the simplest, one manual step to offer financing to customers.

Offer Email Financing Offers

The simplest way to start is to manually contact the Finance Team, or Finance Insurance, to generate a tailored financing offering specifically for tailored customers to expedite applications. This results in faster approvals, better customer experience and simplifies sales operations.

Automatic Payment Integration

Customer financing options that integrate into accounting systems like QuickBooks and Xero automatically calculate and generate financing details into their billings and collections processes, ensuring accurate, compliant documentation and reducing manual errors. Tools such as Swell automate payments, etc.

With this, businesses do not have to chase down receivables or manually track payments. The system handles reminders, late fees, and collections automatically, freeing up time and cash flow and cutting off the bad debt risk by automating collections.

Step 4: Launching And Monitoring Performance

It is paramount to review the customer optimization and monitor results they are. Here is how:

1. Establish Key Performance Indicators (KPIs)

Start by defining a set of important KPIs to monitor. Note the financing offer is a tool, not a goal.

Metric	Why It Matters
Average Order Value (AOV)	Measures if financing is actually increasing customer spending
Customer Lifetime Value (CLV)	Evaluates the long-term impact of financing on customer relationships
Conversion Rate	Compares how many more leads there are to financing availability

2. Monitor In Real-Time

Tracking platforms provide real-time dashboards and calculation portals that make it easy to track performance. These dashboards may include:

- Live application volumes
- Approvals and financing breakdowns
- Repayment status and delinquency rates
- Customer usage trends for personal orders

3. Optimize Credit Terms And Criteria

A business should analyze performance data and optimize the credit terms and criteria. Some common adjustments that a firm considers to expand access:

- **Low volumes:** Consider lower interest rates, longer repayment periods, or higher credit limits.
- **High defaults:** Tighten credit criteria or adjust price points.
- **Low repeat rates:** Introduce loyalty-based offers to incentivize repeat purchases.

4. Get Qualitative Feedback

Beyond numbers, feedback should be gathered through post-purchase surveys, customer interviews, and support tickets. This helps identify friction points, help map to identifying opportunities for switching interfaces, simplifying terms, and long-application times.

Adopting Customer Financing For Small Business

Customer financing is now transitioned as a platform that only end-consumers, but also small businesses are increasingly using financing solutions to manage cash flow, expand operations, and maintain competitive purchasing power.

The small businesses have revenue as they are unable to leverage high-ticket opportunities, which impacts financing. Buy now pay later offers opportunity and other customers to pay for premium service.

Small businesses may operate on tight margins because of inconsistent payment cycles. Partnering with an efficient customer financing platform can provide the cash flow and supports while the customer pays in flexible amounts.

A customer financing establishes small businesses as trustworthy and reliable and work with small enterprises.

By this impact that payment options, small businesses can scale Campaigns with bigger budgets and expand their offerings. They can boost industry professionals, and a customer that approach.

Financialinsurance™: A Flexible Customer Financing Platform for Businesses

As an enterprise-grade platform, Financialinsurance™ enables businesses to offer customized payment plans to their customers. Financialinsurance™ supports both "Pre Performance" and "Post Performance" models, with a flexible configuration and easy-to-use interface.

Financialinsurance™ provides two key configuration options:

The Performance" tab is used for pre-performance financing, such as:

- Equipment financing
- Inventory financing
- Business-wide financing

The Post-performance tab is used for post-performance financing, such as:

- Project-based financing
- Milestone-based payments
- Multi-phase projects

Both these plans are designed to give businesses complete control over cash flow planning and customer experience.

One of the most significant advantages of Financialinsurance™ is that it offers a flexible configuration and easy-to-use interface, allowing businesses to create and deploy tailored payment plans with custom interest rates, payment schedules, and repayment schedules that suit their business goals and customer budgets.

Key Features

- **In-Financial Recommendations:** AI analyzes customer data and suggests optimal financing terms, including personalized interest rates, repayment durations, and tailored payment schedules.
- **Full Control and Transparency:** Pre-performance allows businesses to set their financing terms and run their own credit checks. Post-performance offers repayments without any hidden fees.
- **Broad Applicability:** Payment plans work across various industries, including construction, manufacturing, and professional services, ensuring flexibility and customization for various different customer financing solutions.
- **Ease of Integration:** Financialinsurance™ offers a simple plug and play integration with existing systems, ensuring a smooth transition process that does not disrupt ongoing business operations.
- **Proven Results:** Financialinsurance™ has produced a 20% Reduction in Payment Defaults and a 40% increase in transaction rate with Tokenize payment offers.

Valuable Customer Testimonials for Financialinsurance™

Financialinsurance™ clients attest to the platform's impact:

If you wish to offer financing to customers, go through a step-by-step guide to set up financing and find the appropriate financing model for your business. If you believe in setting up your own financing terms and earning through interest, a solution like Financialinsurance™ is the right choice. However, if you aim for protected payments and do not want to begin your merchant hassle, "Pre Assessment" will work well for your business.

Make an Informed Choice and Begin Your Customer Financing Journey With Financialinsurance™

Book A Demo Now