

SOLUTION BRIEF

ALTERNATIVE LENDING: POS

Marqeta Helps Point-of-Sale Lenders Achieve Exponential Growth

Just over five years ago, a new trend emerged in lending that focused on reaching consumers during the retail and online shopping experience. Lenders began partnering with merchants to help them market and activate loan products at the point of sale. This in turn has given consumers more installment financing solutions for purchases or leases. Since then, point-of-sale lending has become the fastest growing sector within the consumer lending market creating both new opportunities, and challenges for consumer lenders. Research indicates that in 2017, at least 50 lenders in the U.S. generated an annual loan volume of more than \$2.5 billion from point-of-sale transactions alone.

When point-of-sale lending emerged a few years ago, lenders recognized that merchants could bring them new users. Today, Marqeta makes it easier for lenders to enable users to bring them new merchants – and thus build out their ecosystem.

CHALLENGES Three critical challenges:

Challenge 1: *Scaling the merchant base quickly and seamlessly*

Lenders are limited by the number of merchants that they are able to onboard at any given time. They must develop a business relationship and integrate with each merchant, which requires significant time and resources. Research shows that on average, lenders onboard 25 new merchants per account representative per year.

Challenge 2: *Onboarding big box retailers*

Unlike smaller merchants, big box retailers demand immediate payment via credit card rails rather than via ACH batch files. Lenders must also demonstrate their ability to support the merchant's particular target customers with substantial loan amounts and high approval percentages-even if they are new to the retailer's market.

Challenge 3: *Increasing the lifetime value of the customer*

Under the current model, lenders are only able to make a loan for the item purchased at the time of sale. Even if the user is eligible for more funding, contracts with merchants make it difficult, if not impossible, for the lender to offer more funding over time, limiting the lifetime value of the customer relationship.

Marqeta helps point-of-sale lenders capitalize on this fast-growing payments market and more easily acquire both consumers and merchants—and do so at scale. Marqeta’s virtual payment card solution provides a seamless merchant onboarding, greater flexibility for end-users, and tools to help lenders manage spend authorizations and manage risk.

For the past several years, Marqeta has worked with SMB lenders who specialize in a variety of areas, including merchant cash advance, factoring, equipment leasing, term lending, and lines of credit. Marqeta’s prepaid, and debit card solutions give approved users easy access to funds at the point of sale. Marqeta’s Just-in-Time (JIT) Funding enables lenders to fund accounts based on the shopper’s spend activity instead of pre-loading an entire line of credit when they need them.

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BENEFITS **For Lenders:** The Marqeta solution helps to accelerate business growth

- Increased control over user spend
- Easy, fast merchant onboarding with no POS systems integration needed
- Grow merchant base via shopper preferences due to “spend anywhere” flexibility
- Access to user behavior data to help manage risk and cultivate customer engagement
- Faster daily reconciliation by linking contract IDs to transactions in real time
- Increased spend over time extends the life-time value of the user, building longer and stickier relationships

For Customers: Enables greater payment choice and flexibility

- Fast, convenient experience at point-of-sale in real-time via lender’s mobile app
- Limited overall loan exposure by paying interest only on money spent
- In-app purchase supported at merchants who accept Apple Pay and Google Pay

ABOUT Marqeta is the first modern card issuing and core processing platform, powering prepaid, debit and credit cards for the world’s top commerce innovators. Marqeta’s advancements represent the first fundamental updates in the past twenty years to card issuing platforms, a \$30 trillion addressable market covering all possible cardable spending.