



The Changing Face of Consumer Credit

In the last few years, the volume, value and availability of retail credit and point of purchase finance has grown.

This growth has been driven by consumer demand for credit both as a convenient method of payment, and as a cost effective way to borrow over the short term. On the high street, card payments account for two fifths of total retail spending – although the extent differs between different retail markets.

Given this market, financial institutions have harnessed increasing consumer confidence by offering highly competitive credit provision with favourable interest rates. This has impacted on store credit – which has seen a slow downturn in uptake, as terrestrial and e-banks continue to improve their credit offer.

Other factors that have influenced credit utilisation have been the increasing use of multiple retail channels. For today's consumer, no one mode of contact fulfils all purchasing requirements, and they are increasingly turning to iTV, the web and mobile phones as shopping channels.

Furthermore, other factors that may shape the market in the future include technological advancements such as the smart card. Although the UK has been slow to engage with the new smart card technology – the impact that this could have on enhancing credit in the future (from both a consumer and supply side perspective) should not be ignored.

The retailers' response to this confluence of circumstances requires harnessing new technologies, utilising new channels of operation, and building relationships with their existent customers to maximise their service and product utilisation.

This report examines the types of credit products currently in the market, the direction that credit may take in the future, the impact of multi-channel retail on credit, and the role that consumer hedonism may play both now and in the future.

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