

Synchrony Financial - Financing the Next Checkout

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Decision scope: How to sequence investment across Pay Later, existing card and digital capabilities, and partner integrations

Case convention: This is an author-created management decision exercise. The role, alternatives, and budget below are hypothetical; company disclosures are historical. No private deliberations are represented.

The decision

At 6:00:43 a.m. Eastern Time on 24 October 2023, the SEC accepted Synchrony Financial's third-quarter results filing. The company had scheduled its results call for 8:00 a.m. Its results showed a business growing in purchase volume and receivables while credit costs and funding expense were rising. Synchrony was also building a broader proposition for retail and healthcare partners: cards, installment loans, deposits, and digital capabilities. [S1]-[S3]

You are advising a hypothetical executive committee on how to sequence the next year's product and partner investment. Assume the committee has **\$100 million of discretionary engineering, product, and partner-enablement capacity** to allocate. This is an invented planning constraint, not a disclosed budget or company forecast. It represents scarce management capacity as well as money; do not treat it as incremental credit capital.

Choose one direction:

1. **Accelerate Pay Later.** Commit most capacity to expanding installment checkout with willing partners and improving the application and servicing experience.
2. **Strengthen the installed platform.** Prioritize existing card and digital experiences, including partner integration and multi-product prequalification, while limiting new Pay Later launches.
3. **Stage partner-specific expansion.** Fund a smaller set of Pay Later and integrated-platform pilots, releasing additional capacity only when partner economics, customer outcomes, and credit performance meet explicit gates.

These are analytical alternatives, not plans disclosed by Synchrony. Recommend an allocation and explain the evidence that would cause you to change it. Use only information public by the cutoff. The 8:00 a.m. earnings call and Q&A, its replay and transcripts, the Q3 Form 10-Q accepted at 4:13:27 p.m. ET, and all later information are outside the case.

One partner, two ways to pay

Synchrony worked through merchant and provider relationships rather than relying only on a direct-to-consumer brand. Its 2022 annual report described five sales platforms and a suite spanning credit cards, short- and long-term installment loans, and deposit products. The company reported one business segment and managed profitability and expenses at the business level. Platform activity therefore did not reveal each product's contribution profit. [S4, pp. 6-8]

At Home's July 2023 announcement offered a concrete example of product breadth. It described Synchrony as the exclusive provider of an installment option alongside At Home's existing store card. For qualifying one-time purchases of \$75 to \$400, the announcement described three equal monthly payments at 0% interest. An approved customer could apply online or in store through a QR code. These are the issuer and retailer's offer terms; neither the announcement nor Synchrony's Q3 results disclosed conversion, transaction volume, repeat use, merchant economics, losses, or returns for the offer. [S5, ¶¶72, 76, 81; S2-S3]

The product could serve a shopper who wanted a fixed payment schedule and a merchant seeking another checkout option. Yet an installment purchase might replace a Synchrony card purchase rather than add a sale. A partner might value conversion but seek a share of economics or approval commitments. Synchrony would still need to fund and service credit, manage fraud and disputes, and preserve underwriting standards. The public record did not show how these trade-offs resolved for At Home or any other Pay Later partner.

A growing portfolio, under pressure

Synchrony's Q3 release reported **\$47.006 billion in purchase volume**, up 5.5% year over year, and **\$97.873 billion of period-end receivables**, up 13.8%. Purchase volume measured charges less returns during the quarter; receivables were an end-of-period balance. The release attributed higher loan interest and fees to higher average receivables, benchmark rates, and lower payment rates. In discussing some sales platforms, it cited both lower payment rates and purchase-volume growth. It did not quantify the contribution of either factor to consolidated receivables growth. [S2-S3]

Other results complicated the growth picture. Q3 net earnings were **\$628 million**, down 10.7%; provision for credit losses was **\$1.488 billion**, up 60.2%; and total interest expense was **\$992 million**, up 139.6%. Net interest income after retailer-share arrangements and provision was \$1.895 billion, down 2.4%. That measure was before other income, expenses, and taxes and was not a Pay Later profit measure. [S3, pp. 1, 3-4]

Exhibit 1. Selected Q3 portfolio measures

Measure	Q3 2022	Q3 2023	Change
Purchase volume	\$44.557B	\$47.006B	+5.5%
Period-end loan receivables	\$86.012B	\$97.873B	+13.8%
Net earnings	\$703M	\$628M	−10.7%
Provision for credit losses	\$929M	\$1,488M	+60.2%
30+ day delinquency rate	3.28%	4.40%	+112 bps
Net charge-off rate	3.00%	4.60%	+160 bps
Interest expense	\$414M	\$992M	+139.6%

Source: Synchrony Q3 2023 Exhibit 99.2. Receivables are period-end; other dollar measures cover the quarter. Credit rates use issuer definitions; 30+ day delinquency is based on statement-end balances extrapolated to period-end. [S3, pp. 1-4]

The company also reported \$3.784 billion in consumer installment receivables, up 28.5% year over year. This broad category covered more than the At Home offer and did not identify Pay Later originations or balances. Students should not use it as a Pay Later growth rate. [S3, p. 2]

Management characterized customers as resilient and described lower payment rates as one contributor to higher balances and interest income. These are management's interpretations. Higher balances could also reflect new purchases, customer mix, product mix, or multiple effects. Rising delinquencies and charge-offs might reflect seasoning, economic conditions, normalization, underwriting, collections, or portfolio mix. The aggregate figures do not decide among these explanations or isolate new-product cohorts. [S2-S3]

Partner economics and strategic dependence

Synchrony's partner model brought distribution and customer access, but also created economic interdependence. The 2022 Form 10-K said many large retail agreements used retailer-share arrangements tied to agreed program economics after specified revenues and costs. Partners had promotional and program responsibilities; Synchrony owned the loans and controlled credit criteria. Some agreements included termination rights tied to service, approval rates, program size, credit criteria, or other specified conditions. Actual terms varied by partner. [S4, pp. 11-12]

Concentration raised the stakes of partner design. In 2022, Synchrony's five largest programs by interest and fees accounted for 53% of those fees and 52% of year-end receivables. The figures are dated, company-wide measures, not 2023 Pay Later economics. Still, they show why product breadth may matter to relationship durability-and why satisfying a partner's growth objectives cannot be separated from credit discipline and program returns. [S4, p. 11]

The market included specialist installment providers as well as bank and retailer card programs. Affirm reported \$20.2 billion in fiscal 2023 gross merchandise volume, 16.5 million active consumers, and 3.9 transactions per active consumer; its five largest merchants generated 42% of GMV. Those figures describe a different business model and fiscal year. GMV is not revenue or profit and says nothing by itself about Synchrony's obtainable market. [S6, pp. 63-69]

What research can-and cannot-tell the committee

Academic studies offer competing mechanisms. In historical credit-card data, Gross and Souleles estimated that a dollar increase in a credit line produced a 0.126 long-run increase in debt on average, with larger responses among accounts near their limit. This suggests available credit can change borrowing, but the 1995-1998 sample is not a Pay Later forecast. [A1, Table II, p. 163; Table IV, p. 172]

Using third-party BNPL data, Di Maggio, Katz, and Williams estimated increased spending concentrated in retail, while also observing lower bank balances and more overdraft or low-balance fees. DeHaan and coauthors found increases in several indicators of household financial strain after BNPL adoption in a 2022 working paper. The studies use different products, samples, and identification assumptions; neither estimates Synchrony's merchant lift, credit losses, consumer surplus, or net return. The evidence supports asking about both access and strain, not importing a coefficient. [A2, PDF pp. 10-13, 24-25; A3, PDF pp. 15-23, 39-46]

The recommendation

The public data do not disclose product-level returns, incremental sales, card substitution, merchant fees, retailer shares, repeat usage, or loss curves for Pay Later. Nor do they show the marginal funding, integration, servicing, compliance, or support costs of a new launch. Your task is to recommend a direction despite this uncertainty.

Prepare a short committee memo that:

- Selects one of the three directions and allocates the hypothetical \$100 million across product work, partner integration, risk/customer safeguards, and any reserve for later release.
- States the strongest argument against your preferred direction.
- Separates customer and merchant value from Synchrony's own revenue and risk.
- Proposes observable launch gates, owners, and a review cadence. You may set hypothetical thresholds, but label them clearly and explain why they are decision rules rather than reported facts.
- Identifies the data needed to distinguish incremental purchase activity from card substitution, and sustainable repayment from slower payment behavior.

Discussion questions

1. What strategic job could Pay Later perform in Synchrony's partner platform? Where might it duplicate the card proposition?
2. What do the Q3 portfolio figures say about the timing and risk of further investment? What do they leave unresolved?
3. Which alternative best balances partner relevance, customer outcomes, credit discipline, and economics? What is the most credible counterargument?
4. What partner-level and customer-level evidence should precede a broader rollout? Which measures could be monitored after launch?
5. How should Synchrony respond if partner demand for approvals or rapid growth conflicts with its credit standards?

Sources and conventions

- S1.** Synchrony Financial, Form 8-K, accession 0001601712-23-000271, accepted 24 October 2023 at 06:00:43 ET. [SEC filing index](#).
- S2.** Synchrony Financial, Q3 2023 earnings release, Exhibit 99.1, 24 October 2023. [SEC exhibit](#), CEO/CFO commentary and platform discussion, HTML ¶¶13-15, 28-31, 38-52.
- S3.** Synchrony Financial, Q3 2023 financial tables, Exhibit 99.2, 24 October 2023. [SEC exhibit](#), Financial Summary and Selected Metrics, pp. 1-2; Statements of Earnings, pp. 3-4.
- S4.** Synchrony Financial, 2022 Form 10-K, filed 9 February 2023. [Official PDF](#), “Our Business” and “Our Sales Platforms,” pp. 6-8; concentration and “Our Partner Agreements,” pp. 11-12.
- S5.** Synchrony and At Home, “Expand Financing Options and Mobile Capabilities,” 17 July 2023. [Synchrony announcement](#), ¶¶72, 76, 81. Product terms are reported as described by the issuers; performance is not disclosed.
- S6.** Affirm Holdings, FY2023 Form 10-K, filed 25 August 2023. [Investor-relations filing](#), “Key Operating Metrics” and results discussion, pp. 63-69.
- A1.** Gross, David B., and Nicholas S. Souleles (2002), “Do Liquidity Constraints and Interest Rates Matter for Consumer Behavior? Evidence from Credit Card Data,” *Quarterly Journal of Economics* 117(1): 149-185. [Article](#), Table II, p. 163; Table IV, p. 172.
- A2.** Di Maggio, Marco, Justin Katz, and Emily Williams (August 2022), “Buy now, pay later credit: User characteristics and effects on spending patterns,” HBS working-paper version, SSRN 4198320. [PDF](#), pp. 10-13, 24-25.
- A3.** deHaan, Ed, Jungbae Kim, Ben Lourie, and Chenqi Zhu (2022), “Buy Now Pay (Pain?) Later,” working-paper version dated 26 October 2022. [CFPB conference PDF](#), pp. 15-23, 39-46.
- All academic effects are mechanism evidence, not Synchrony estimates. Dollar values and ratios are reported unless marked hypothetical. The case does not use the post-call Q3 Form 10-Q or earnings call, even where information overlaps.