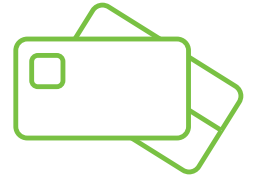


2018

ROLE OF CREDIT CARDS IN U.S. HOME IMPROVEMENT



Prepared in Collaboration
With Synchrony

Big Ideas

Consumers charged \$141 billion in home improvement product and service purchases to their credit cards in 2017, a whopping 69% increase from 2011 (\$84 billion).¹ Furthermore, the share of consumer credit card spend among overall market spend grew to 36.4% in 2017, from 29.5% in 2011. During 2016 and 2017, the growth of consumer credit card spend significantly outpaced overall market growth, driving deeper credit penetration in the overall market.

HOUZZ SURVEY² SHEDS LIGHT ON CREDIT CARD USAGE AND MOTIVATIONS

- **1 in 3 uses credit cards to pay for home renovations**

One in three surveyed homeowners on Houzz paid for 2017 renovations with credit cards (33%), typically in combination with cash or other personal finances. Unrestricted credit cards were twice as common as store-specific. A typical (median) card payer reported spending \$10,000 on 2017 renovations and \$1,500 to \$4,800 charged to a card.

- **Millennial homeowners lead the ‘charge’**

Renovating homeowners 25 to 34 years old were more likely to pay with a credit card (41%) than those 35 to 54 years old (34%) and 55 and older (30%). Credit usage remains high even for larger projects.

- **Most pay off balances over time**

Three in five credit card users plan to pay off card balances over time (62%), with homeowners younger than 55 more likely to revolve balances (60% to 65%) than those 55 and older (49%). Moreover, a typical (median) card payer planning to revolve reported charging more to the card (\$2,000 to \$4,900) compared with a non-revolving payer (\$1,000 to \$3,600).

- **Promotional financing is key to card usage**

The majority of card users planning to pay off balances over time take advantage of no-interest or low-interest promotions (58% and 16%, respectively) and cite the low cost as a motivation for card usage.

- **Perceived high costs deter cash payers from using credit**

One in five renovating homeowners who used only cash to pay for renovations gave credit cards at least some consideration (18%), with a quarter choosing not to use credit due to perceived high costs (27%).

¹ Home Improvement Segment Analysis, prepared by Argus for Synchrony-Houzz research collaboration, April 2018.

² See methodology slide for detailed information about the 2018 Houzz & Home Study.

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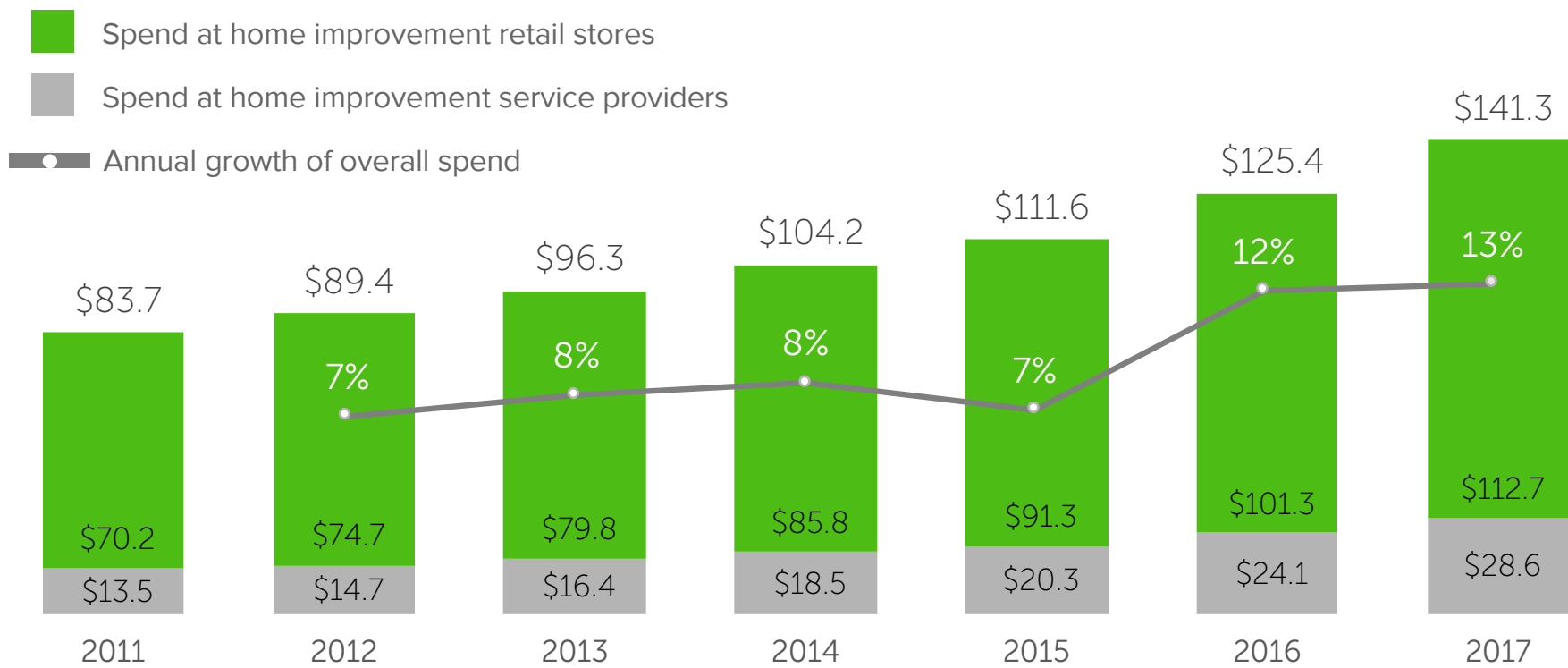
16-21

CONSUMER CREDIT CARD MARKET TRENDS

\$141 Billion Charged to Credit Cards in 2017

In 2017, consumers charged \$141 billion in home improvement product and service purchases to credit cards. Home improvement retailers accounted for 80% of the credit card spend in 2017 (\$112.7 billion), with the remaining 20% going to home improvement service providers (\$28.6 billion). The overall annual growth of consumer credit card spend accelerated in 2016 and 2017, reaching 12.4% and 12.7%, respectively.³ That said, the share of credit card balances that revolved and incurred interest remained steady at 57% in 2015, 2016 and 2017.⁴

2011-2017 CONSUMER CREDIT CARD SPEND IN THE HOME IMPROVEMENT MARKET (IN BILLIONS OF DOLLARS)



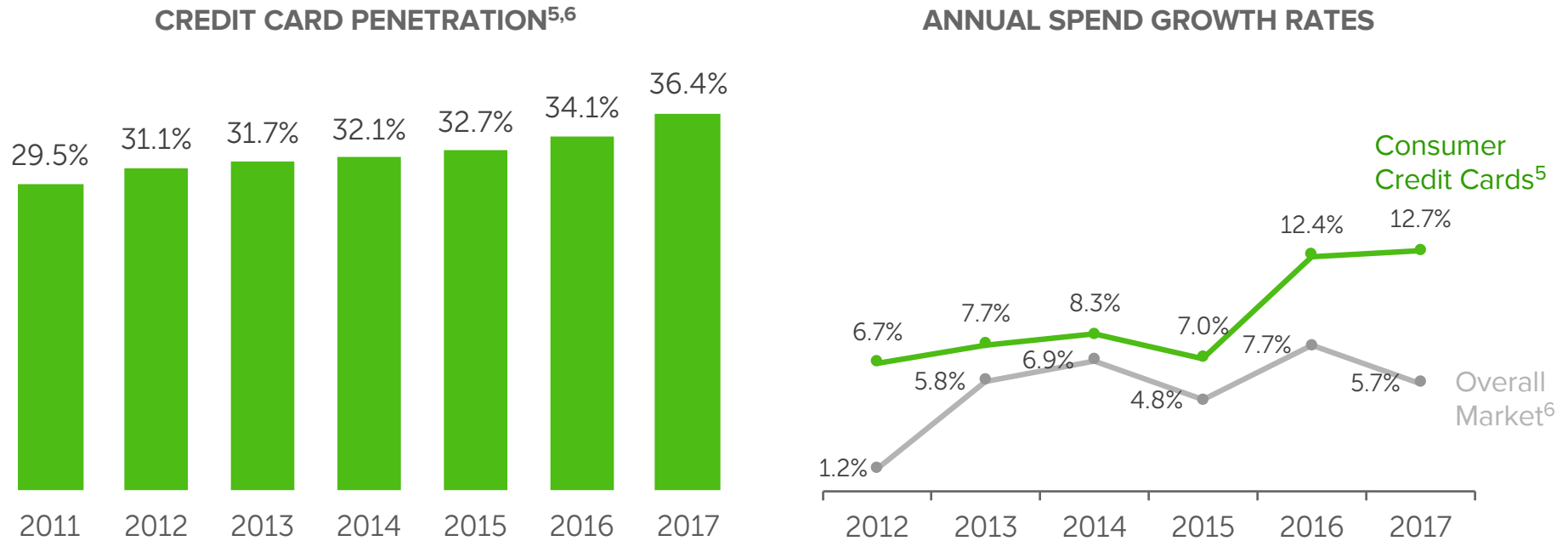
³ Home Improvement Segment Analysis, prepared by Argus for Synchrony-Houzz research collaboration, April 2018.

⁴ Includes both consumer and business credit cards. Home Improvement Segment Analysis, prepared by Argus for Synchrony-Houzz research collaboration, April 2018.

Credit Card Penetration on the Rise

The share of consumer credit card spend⁵ among overall home improvement market spend⁶ increased from 29.5% in 2011 to 36.4% in 2017, with the most noteworthy increases in 2016 (34.1%) and 2017 (36.4%). This aligns with the 2016 and 2017 acceleration in consumer credit card spend growth (12.4% and 12.7%, respectively), which outpaced the growth of the overall home improvement market (7.7% and 5.7%, respectively).

SHARE OF CONSUMER CREDIT CARD SPEND AMONG OVERALL HOME IMPROVEMENT MARKET SPEND



⁵ Home Improvement Segment Analysis, prepared by Argus for Synchrony-Houzz research collaboration, April 2018.

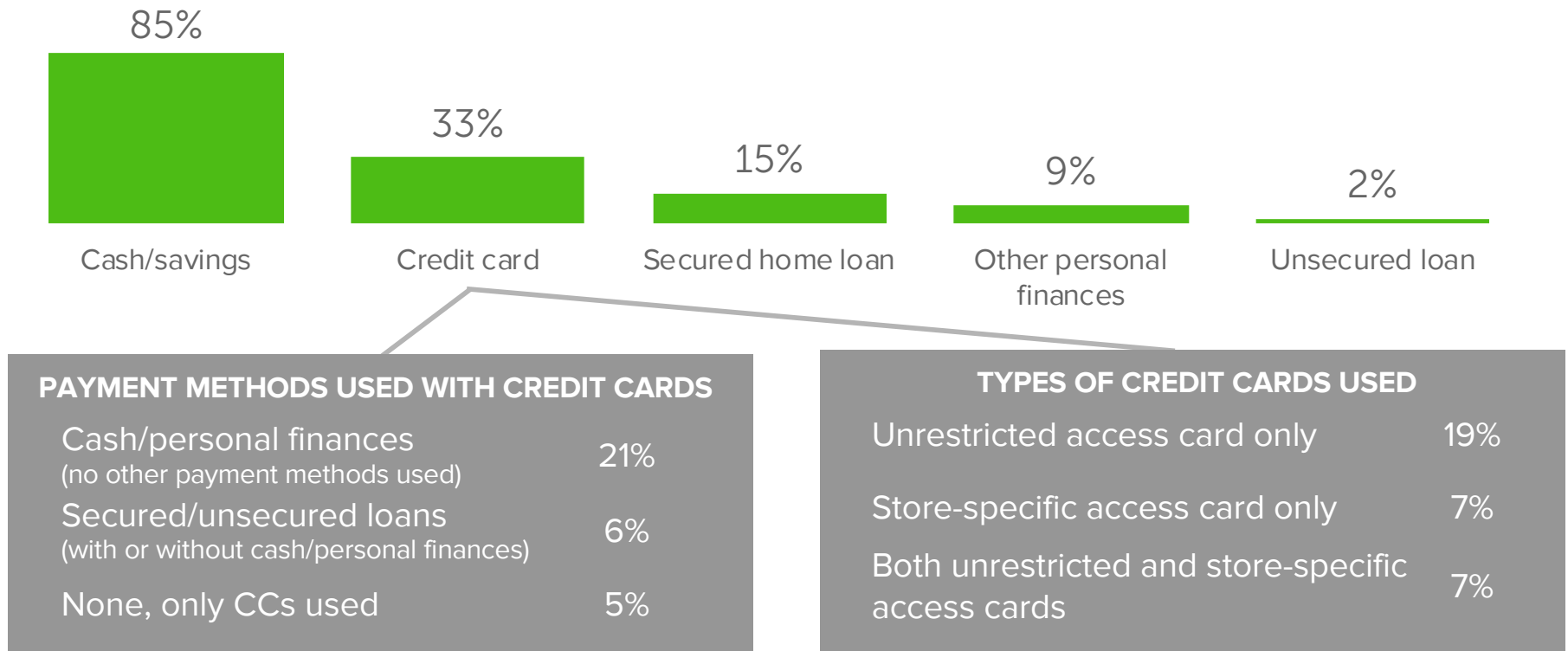
⁶ Harvard University Joint Center for Housing Studies, Remodeling Futures March 2018 Conference, Industry Update by Kermit Baker.

CONSUMER SURVEY INSIGHTS INTO CREDIT CARD USAGE AND MOTIVATIONS

1 in 3 Homeowners Uses Credit Cards to Pay for Renovations

Consistent with overall market trends, one in three surveyed homeowners on Houzz (33%) paid for 2017 home renovations with credit cards. Reported credit card usage typically combines credit with cash or other personal finances (21% of renovating homeowners). Overall, the reported usage of credit cards with unrestricted store access is twice as high as that of store-specific credit cards (26% versus 13%, respectively). Based on a survey by Synchrony, most shoppers decide on a financing method before going to a home improvement store (70%).⁷

FREQUENCY OF TOP PAYMENT METHODS AMONG HOMEOWNERS WHO RENOVATED IN 2017*



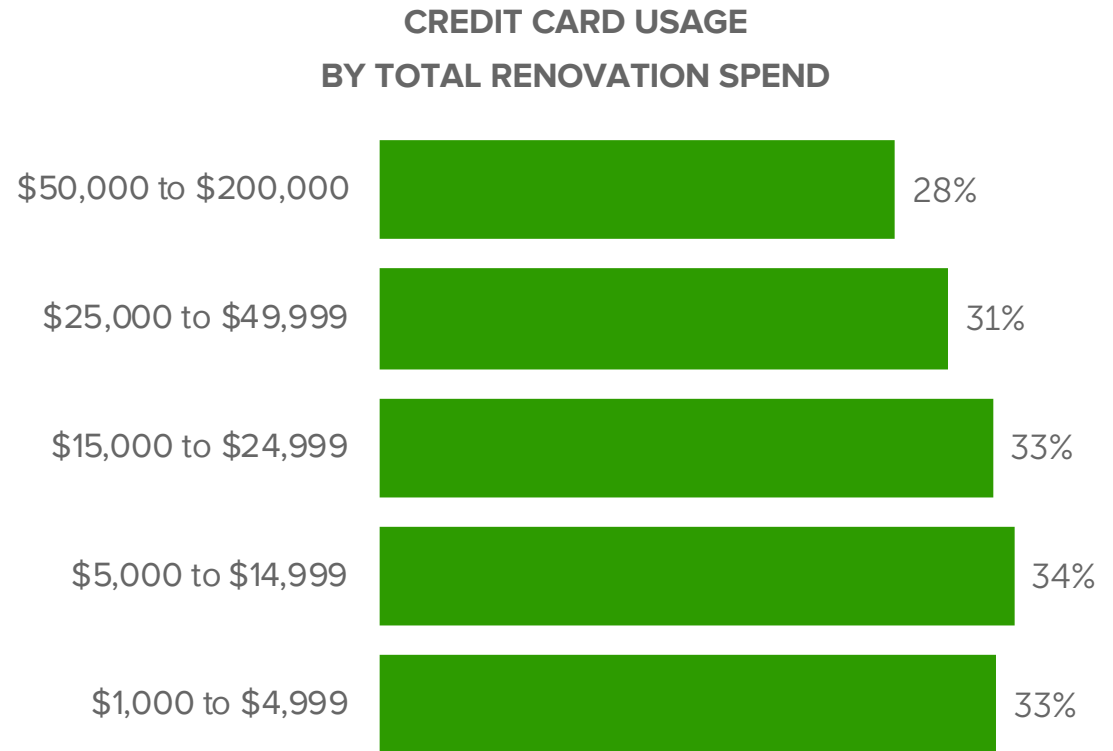
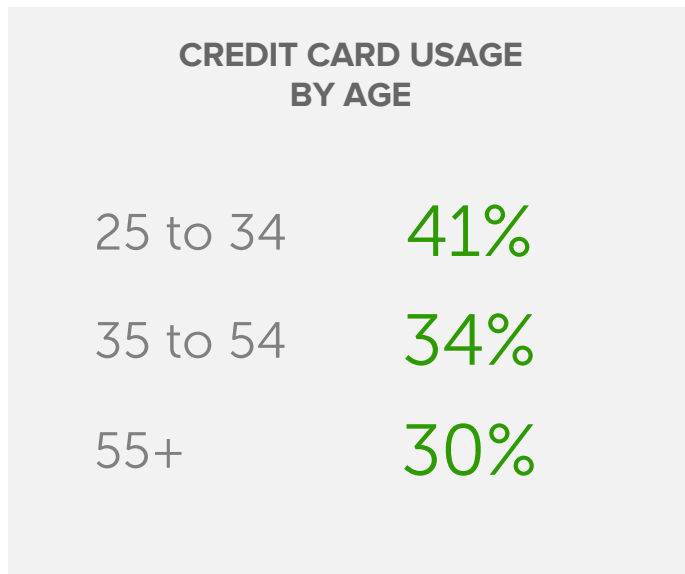
⁷Synchrony Financial Major Purchase Consumer Study, 2017.

* Multiple responses allowed.

Millennial Homeowners Lead the 'Charge'

Overall, reliance on credit cards remains high even for larger renovations. For example, 28% of homeowners with a project spend of \$50,000 or more paid for all or part of the renovations with credit cards. Millennials (ages 25 to 34), who represent only 8% of renovating homeowners,⁸ are significantly more likely to pay for renovations with credit cards (41%) compared with those 55 and older (30%). This is driven primarily by a greater usage of unrestricted cards among younger homeowners (see Appendix A).

FREQUENCY OF CREDIT CARD USAGE AMONG HOMEOWNERS WHO RENOVATED IN 2017

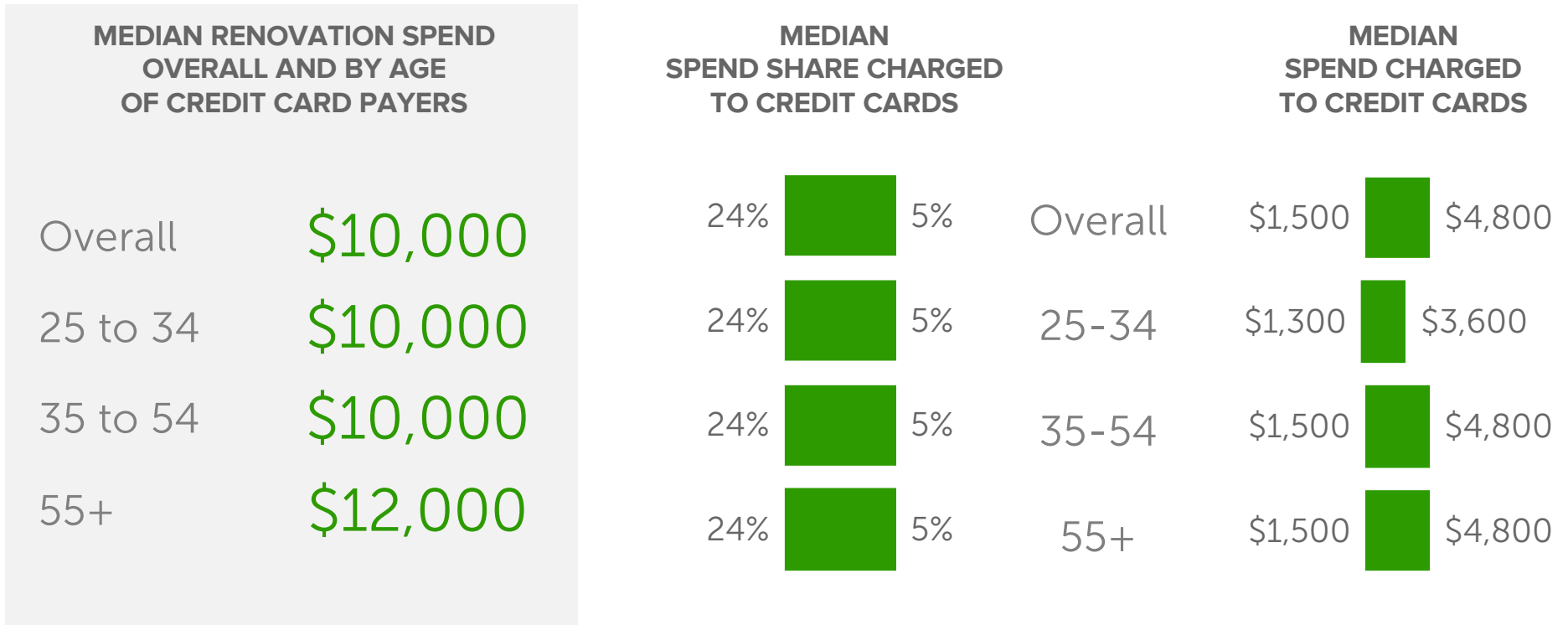


⁸2018 Houzz & Home Study, Appendix A.

Charging Up to \$5,000 on a Credit Card

A typical (median) homeowner paying with credit card reported spending \$10,000 on 2017 renovations. Consistent with larger market trends, millennial homeowners (ages 25 to 34) paying with credit cards tend to spend less on renovations than older homeowners. Overall, a typical (median) credit card payer reported that they financed 5% to 24% of the renovation spend with the loan. When combining the reported financed shares with total renovations spend, our estimates show that a median credit card payer charged \$1,500 to \$4,800 of the overall spend on a card.

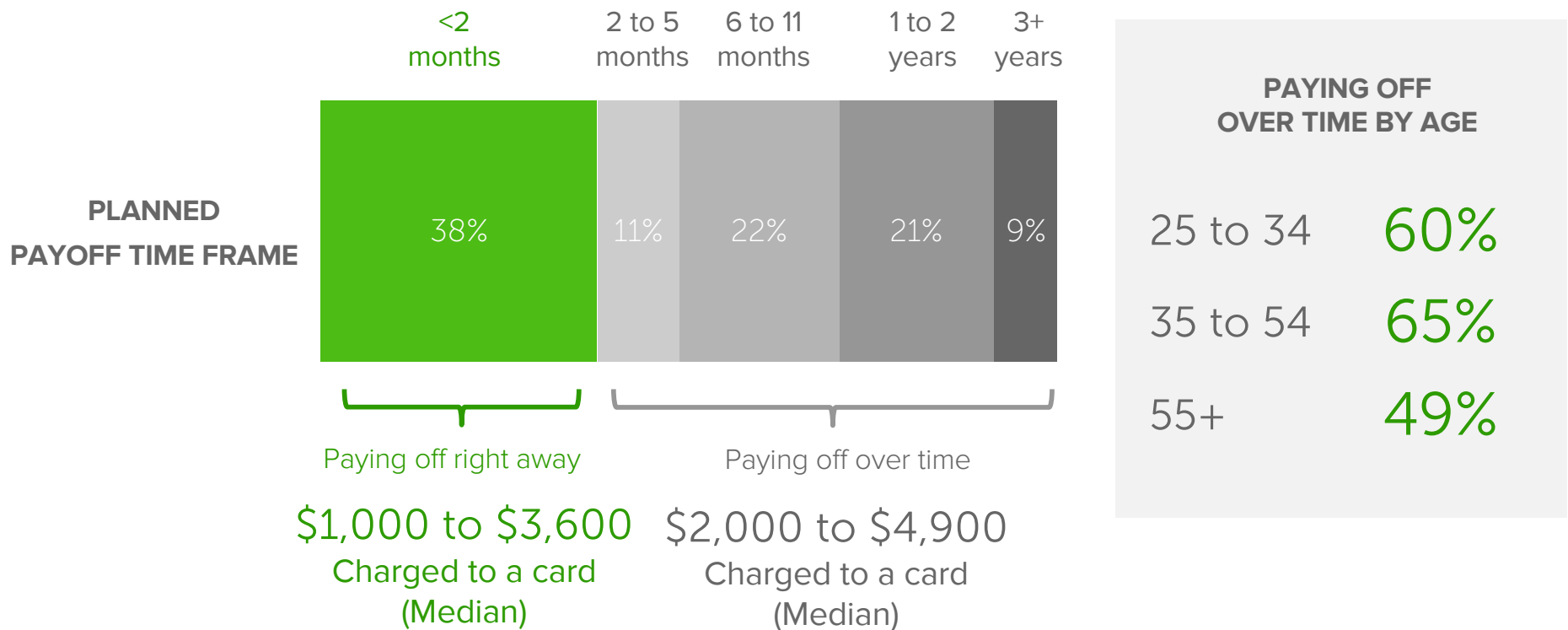
MEDIAN SPEND AMONG RENOVATING HOMEOWNERS PAYING WITH CREDIT CARDS



Majority Plan to Pay Off Credit Cards Over Time

Consistent with overall market trends, the majority (62%) of homeowners who paid with a credit card plan to pay the card balance off over time, with store-specific cards nearly twice as likely (79%) as unrestricted cards (43%) to be paid off over time (see Appendix B). Furthermore, homeowners younger than 55 are more likely to revolve balances (60% to 65%) than are those 55 and older (49%). A typical homeowner who plans to pay off a card balance over time reports charging significantly more to the card (\$2,000 to \$4,900) compared with one who pays off the balance right away (\$1,000 to \$3,600).

FREQUENCY OF PLANNED PAYOFF TIME FRAME AMONG RENOVATING HOMEOWNERS PAYING WITH CREDIT CARDS

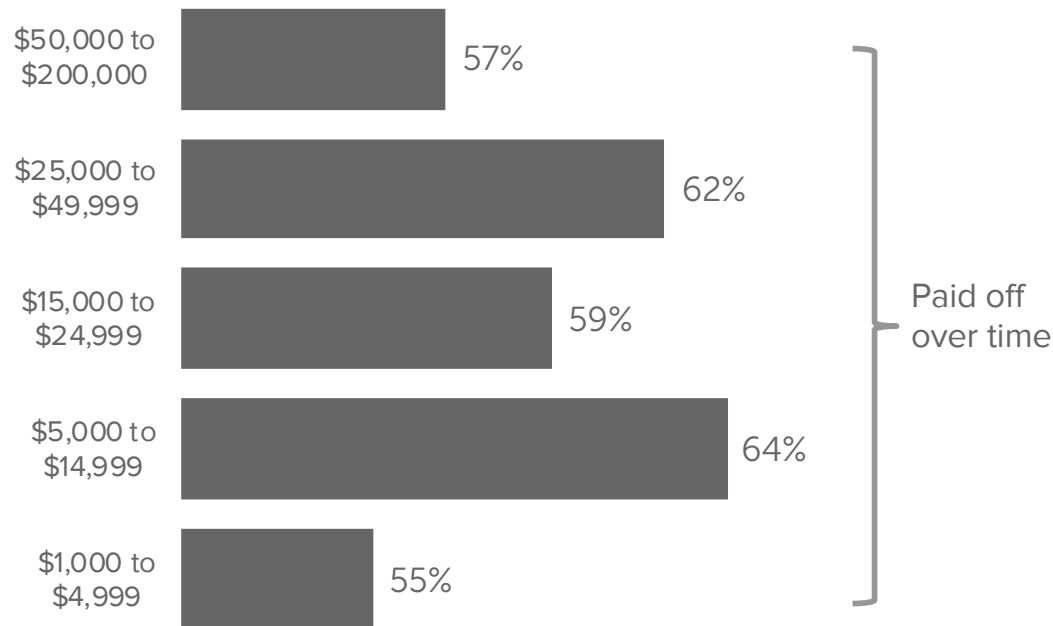


As Project Size Increases, a Smaller Share Goes on the Card

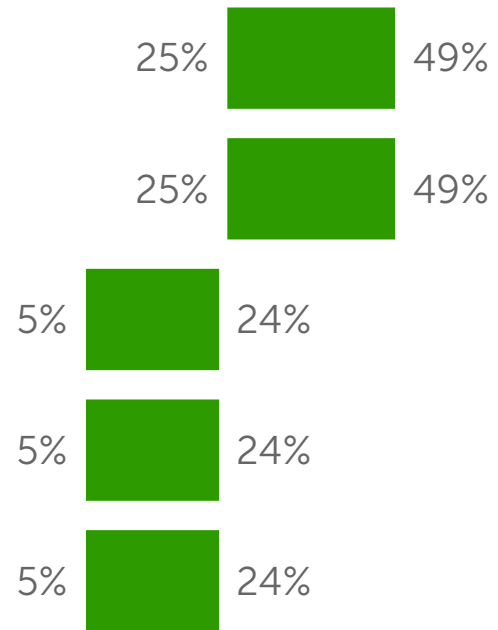
A majority of credit card users plan to pay off their balances over time regardless of whether they are spending \$5,000 or \$50,000 on renovations. Given typical credit limits, it is not surprising that the share of the total renovation spend paid with a credit card decreases as the project size increases. For example, those paying off a card over time charge, on average, up to 50% of an under-\$5,000 project to the card, compared with up to 24% on a project of \$50,000 or more (see Appendix C for more detailed data by project size).

FREQUENCY OF PLANS TO PAY OFF BALANCES OVER TIME AMONG RENOVATING HOMEOWNERS PAYING WITH CREDIT CARDS

PLANS TO PAY OFF CARD BALANCES OVER TIME, BY TOTAL RENOVATION SPEND



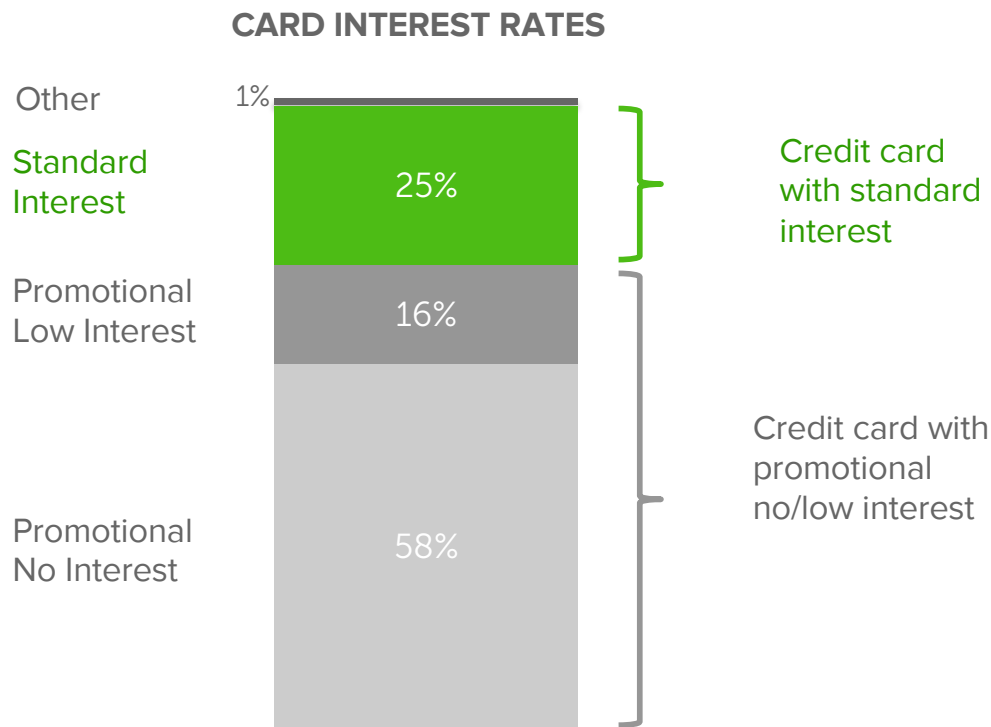
MEDIAN SPEND SHARE CHARGED TO CREDIT CARDS



Renovators Embrace Interest Promotions

Among homeowners planning to pay off card balances over time, the reported usage of cards with a promotional no or low interest is three times as high (74%) as for those with a standard interest rate (25%). Interest promotions are more common with store-specific cards (89%) than with unrestricted cards (59%) (see Appendix B). Not surprisingly, the top reason for using a card with a promotional rate rather than another financing method is its low cost (44%). According to a survey by Synchrony, over a third of home improvement shoppers would have walked away from the purchase if a promotional rate had not been available.⁹

FREQUENCY OF CARD INTEREST RATES AMONG RENOVATING HOMEOWNERS PLANNING TO PAY OFF BALANCES OVER TIME



TOP 3 REASONS FOR USING A CREDIT CARD INSTEAD OF OTHER FINANCING METHODS*

Quicker access to funds	38%
Easier to use	35%
Better rewards	25%

Lower cost option	44%
Easier to use	28%
Longer payoff period	24%

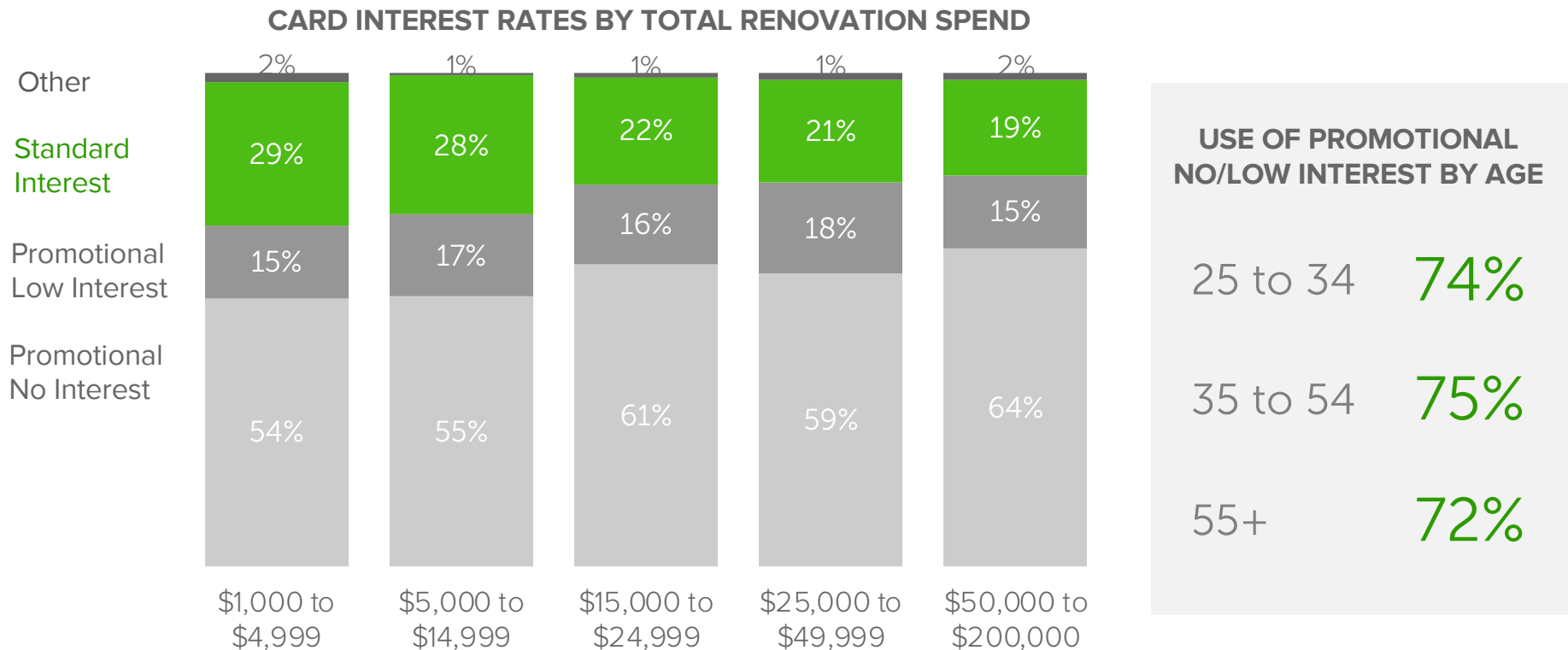
⁹Synchrony Financial Major Purchase Consumer Study, 2017.

* Multiple responses allowed, limit to three responses.

No-Interest Promotions Hold Universal Appeal

Promotional no-interest financing is popular for renovation projects of all sizes and among homeowners of all ages. According to Synchrony’s own cardholder analysis, for home improvement purchases of \$4,000 to 10,000, the average promotional finance period is four years. Four in five of Synchrony’s cardholders on a low/no-interest promotion pay off the card in full before the end of the promotional period and incur no finance charges.¹⁰

FREQUENCY OF CARD INTEREST RATES AMONG RENOVATING HOMEOWNERS PLANNING TO PAY OFF BALANCES OVER TIME

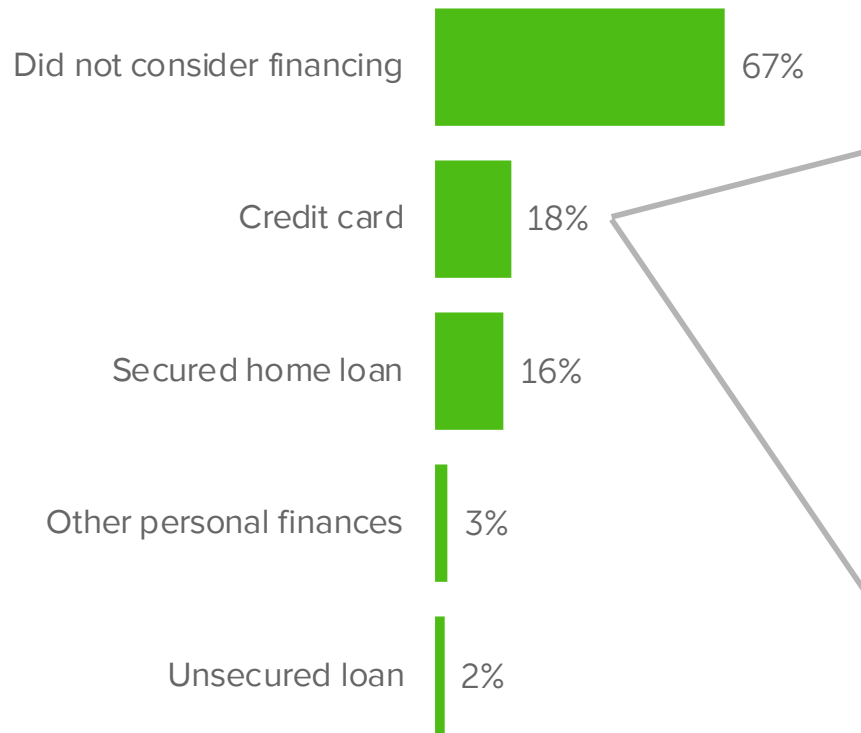


¹⁰Synchrony Data Analysis, 2018.

Perceived High Credit Costs Keep Some Away

Overall, one in two renovating homeowners paid for renovations only with cash or other personal finances (54%). Among them, 18% gave credit cards at least some consideration but decided against using one primarily because they either preferred cash (55%) or perceived credit cards as too costly (27%). Yet, if a better financing option had been available, more than a third said, they would have used it (37%). According to a survey by Synchrony, the majority of non-card buyers were not aware that promotional financing was available at the time of their recent home improvement purchase.¹¹

FREQUENCY OF OTHER FINANCING METHODS CONSIDERED AMONG RENOVATING HOMEOWNERS PAYING WITH CASH*



TOP REASONS FOR NOT USING A CREDIT CARD

(among those who considered paying with credit cards)

Prefer cash	55%
Too costly	27%
Other (wide range of reasons)	18%

IF BETTER FINANCING OPTIONS WERE AVAILABLE, WHAT WOULD YOU HAVE DONE DIFFERENTLY?

(among those who considered paying with credit cards)

Would still use cash	62%
Would have used better financing	37%
Other actions	1%

¹¹Synchrony Financial Major Purchase Consumer Study, 2017.

* Multiple responses allowed.

METHODOLOGY AND APPENDIXES

Methodology

ABOUT HOUZZ CONSUMER INSIGHTS

- Houzz is a leading platform for home remodeling and design. Our large and engaged user community provides unprecedented insights on the latest market trends based on users' home improvement activity. The Houzz research team aggregates and shares these insights with the community to give people greater confidence in the choices they make for their homes and to give home professionals greater insights into their clients' wants and needs. With these goals in mind, Houzz conducted an online quantitative survey of registered Houzz users regarding trends in home improvement and design, fielded between March 5 and April 16, 2018. The annual Houzz & Home Study is the largest survey of residential remodeling, building and decorating activity conducted. The final sample consists of 146,486 respondents in the U.S. The current report relies on a subset of responses, i.e., U.S. homeowners on Houzz who renovated their primary residence in 2017 (n=72,384) and U.S. homeowners on Houzz who renovated their primary residence in 2017 and paid with one or more credit cards (n=10,602). For more information about the approach, survey, completes, qualifications, sampling and weighting, see the 2018 Houzz & Home Study.
- Collaboration with Synchrony: Synchrony is one of the nation's premier consumer financial services companies and the largest provider of private-label credit cards in the United States based on volume and receivables. In an effort to shed light on the overall usage behavior of unsecured payment methods among renovating homeowners, the Houzz research team collaborated with Synchrony's research team to add new questions to the 2018 Houzz & Home Study, working together to interpret and position these additional insights in this report.

ABOUT HOME IMPROVEMENT SEGMENT ANALYSIS BY ARGUS

- Argus Information & Advisory Services is a leading provider of intelligence, decision-support solutions and advisory services to financial institutions across the global commerce ecosystem. Argus' data solutions include, among others, census-level coverage¹² of credit card accounts, issuers and regulators in the U.S. At the request of Synchrony Financial and Houzz, Argus leveraged its comprehensive database of consumer credit card accounts to provide macro-level insights into spend and revolving behavior among consumer credit cards that were used to make purchases at merchants related to the home improvement retail and services segments¹³ from 2011 to 2017. Credit card accounts included both general-purpose and private-label credit cards.

ABOUT SYNCHRONY

- Synchrony (NYSE: [SYF](#)) is a premier consumer financial services company delivering customized financing programs across key industries including retail, health, auto, travel and home, along with award-winning consumer banking products. With more than \$130 billion in sales financed and 74.5 million active accounts, Synchrony brings deep industry expertise, actionable data insights, innovative solutions and differentiated digital experiences to improve the success of every business we serve and the quality of each life we touch. More information can be found at www.synchrony.com and through Twitter: [@Synchrony](#).

¹² Coverage includes 96% of consumer general-purpose credit card accounts and 80% coverage of consumer private-label credit card accounts.

¹³The home improvement retail segment is defined by identifying purchases from merchants that fall under the following SIC codes: 5200, 5211, 5231, 5251, 5261, 5713, 5718, 5722, 5996. The home improvement services segment is defined by identifying purchases from merchants that fall under the following SIC codes: 1520, 1711, 1731, 1740, 1750, 1761, 1771, 1799, 780.

Appendix A: Credit Card Usage by Age

	HOMEOWNER AGE GROUPS		
	25 to 34	35 to 54	55+
Credit Card Usage by Type			
Any credit cards	41%	34%	30%
Unrestricted credit cards	35%	27%	24%
Store-specific credit cards	16%	15%	12%
Planned Payoff Time Frame			
<2 months	36%	30%	44%
2 to 5 months	16%	12%	10%
6 to 11 months	21%	24%	20%
1 to 2 years	20%	24%	19%
3+ years	7%	10%	8%
Share of Renovation Spend Charged to a Card Among Those Planning to Pay Off Balances Over Time			
<25%	42%	39%	43%
25% to 49%	26%	28%	26%
50% to 74%	19%	18%	17%
75%+	13%	16%	14%
Card Interest Rates Among Those Planning to Pay Off Balances Over Time			
Promotional with no interest	55%	52%	49%
Promotional with low interest	18%	21%	21%
Standard interest	27%	26%	27%
Other	0%	1%	3%

Appendix B: Credit Card Usage by Card Type

	CREDIT CARD TYPE	
	UNRESTRICTED	STORE-SPECIFIC
Credit Card Usage		
Overall	26%	13%
Planned Payoff Time Frame		
<2 months	43%	15%
2 to 5 months	12%	13%
6 to 11 months	17%	32%
1 to 2 years	12%	30%
3+ years	16%	10%
Share of Renovation Spend Charged to a Card Among Those Planning to Pay Off Balances Over Time		
<25%	47%	46%
25% to 49%	27%	26%
50% to 74%	15%	15%
75%+	11%	13%
Card Interest Rates Among Those Planning to Pay Off Balances Over Time		
Promotional with no interest	41%	76%
Promotional with low interest	18%	14%
Standard interest	39%	10%
Other	2%	1%

Appendix C: Credit Card Usage by Renovation Spend Range

	RENOVATION SPEND RANGE				
	\$1,000 to \$4,999	\$5,000 to \$14,999	\$15,000 to \$24,999	\$25,000 to \$49,999	\$50,000 to \$200,000
Credit Card Usage by Type					
Any credit cards	33%	34%	33%	31%	28%
Unrestricted credit cards	26%	27%	26%	24%	23%
Store-specific credit cards	13%	14%	14%	14%	12%
Planned Payoff Time Frame					
<2 months	43%	34%	35%	31%	31%
2 to 5 months	12%	13%	9%	11%	9%
6 to 11 months	24%	25%	21%	21%	19%
1 to 2 years	16%	22%	24%	25%	25%
3+ years	5%	7%	11%	12%	17%
Share of Renovation Spend Charged to a Card Among Those Planning to Pay Off Balances Over Time					
<25%	34%	37%	34%	34%	45%
25% to 49%	26%	29%	26%	26%	23%
50% to 74%	20%	20%	20%	20%	18%
75%+	20%	13%	20%	20%	14%
Card Interest Rates Among Those Planning to Pay Off Balances Over Time					
Promotional no interest	52%	52%	54%	50%	43%
Promotional low interest	16%	19%	19%	24%	30%
Standard interest	30%	28%	25%	25%	24%
Other	1%	1%	2%	2%	4%

Appendix D

Links to Resources on Houzz

Houzz is the easiest way for people to find inspiration, get advice, buy products and hire the professionals they need to help turn their ideas into reality.

PHOTOS	FIND PROS	BROWSE PRODUCTS	ARTICLES
Kitchen	Architects & Building Designers	Furniture	Most Popular
Bath	Design-Build firms	Lighting	Houzz Tours
Bedroom	General Contractors	Kitchen & Dining	Kitchen Guides
Living	Home Builders	Bath	More Rooms
Dining	Interior designers	Home Decor	Decorating Guides
Home office	Kitchen & Bath Designers	Bedroom	Bathroom Guides
Baby & kids	Kitchen & Bath Remodelers	Storage & Organization	Remodeling
Entry	Landscape Architects & Landscape Designers	Home Improvement	Architecture
Hall	Landscape Contractors	Outdoor	Landscape Design
Staircase	Pools and Spas	Baby & Kids	Garden Guides