

# BUY NOW, PAY LATER

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APRIL-MAY 2020

## HOW BNPL SERVICES BRING VALUE TO SMALL BUSINESSES

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eBay partners with Afterpay for  
BNPL payment option

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Outdoor retailers embrace  
BNPL solutions to harness  
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## ACKNOWLEDGMENT

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# WHAT'S INSIDE

Buy now, pay later (BNPL) services are growing popular around the world, usurping credit cards as younger generations' method of choice for deferred payments in many cases. Millennials [carry](#) two fewer credit cards than their Generation X counterparts and are the largest demographic group using BNPL solutions, [representing](#) approximately 53 percent of Australia's BNPL userbase. The share of younger customers who could be persuaded to adopt such solutions is even higher, with 87 percent of those ages 22 to 44 [expressing](#) interest in breaking large purchases into monthly installments.

Several factors have led to this affinity for BNPL solutions, one of which is a general unease about traditional credit options. A [study](#) of consumers ages 22 to 30 showed that 20.3 percent of younger consumers had poor credit from past payment issues, while 18.8 percent lacked the credit history to be approved for credit cards in the first place. BNPL services bypass both problems, as they do not require credit checks and will not affect credit scores as long as payments are made on time.

This interest could translate into increased usage if more consumers were exposed to BNPL options. Just 45 percent of debit card holders have been offered installment payment plans online and 28 percent while at retail stores, according to recent [research](#). Credit card holders

are even less familiar with BNPL services, with only 17 percent being offered such options. This represents a massive userbase that could be convinced to adopt BNPL payment plans, with 51 percent of credit card holders accepting installment plans when offered them.

BNPL service providers must thus ensure that consumers are aware of the option to pay in installments and the benefits of doing so. This is especially important in the midst of the COVID-19 pandemic, as the economic downturn forces consumers to look for more affordable ways to pay for items. Consumers want alternatives to traditional credit options for many reasons, such as issues with their credit histories, concerns about generating too much debt or lower-than-normal incomes following furloughs and layoffs.

## AROUND THE BNPL WORLD

BNPL solutions' growing popularity is driving many major eTailers to partner with providers so they can offer such options to their customers. The most recent entrant in the BNPL scene is eBay, which is [collaborating](#) with BNPL provider Afterpay to offer financing options for its 11 million users. The BNPL functionality will be available with all 40,000 of eBay's small business partners, and the marketplace will cover their transaction fees. eBay has



seen a surge in business since COVID-19-related stay-at-home orders took effect, with dumbbell sales increasing by 854 percent and paint-by-numbers kit sales rising by 3,746 percent.

Some major banks are also getting into the BNPL business. Goldman Sachs recently [launched](#) a point-of-sale (POS) deferred payment plan called MarcusPay that allows customers to break payments into monthly installments over 12 to 18 months. This system is different from most BNPL apps in that it charges interest, but like its competitors, it does not carry additional fees. MarcusPay is currently available only for purchases made from JetBlue, but the bank plans to expand it to other vendors in the near future.

American consumers' use of BNPL solutions has revealed interesting shopping habits. A study of Afterpay's

4.4 million-strong United States userbase [revealed](#) that 65 percent of its customers are millennials or members of Generation Z, that most users live in cities with high costs of living, that they have made at least two purchases on the app in the past six months and that peak shopping hours are typically in the morning. The research also found that few BNPL customers use personal budgeting systems, even though such tools could help safeguard them from overusing BNPL offerings and creating too much debt.

For more on these stories and other BNPL solution developments, read the Tracker's News and Trends section (p. 11).

## HOW BNPL OPTIONS HELP SMALL BUSINESSES COMPETE

Small businesses face an intense challenge in the U.S., with only one-third [surviving](#) their first decade in operation due to factors like flagging sales numbers. The ongoing COVID-19 pandemic is only expected to make things worse as the resultant economic downturn leaves individuals and companies with fewer funds to spend at small to mid-sized businesses (SMBs). Integrating BNPL solutions could drive sales by making merchandise more affordable, however. For this month's Feature Story (p. 8), PYMNTS spoke with Josh Walker, co-founder of apparel eTailer [1620 Workwear](#), about how the company's BNPL offerings have helped its conversion rate and why others should overcome their fears of losing a portion of sales to BNPL providers.

## DEEP DIVE: WHY BNPL SERVICES SHOULD JOURNEY INTO THE WILDERNESS

Younger generations are avid fans of hiking, camping and other outdoor activities, with 81 percent of millennials [saying](#) they would consider taking up hiking as a hobby. This high interest level has not translated to corresponding sales for outdoor retailers, though, as outdoor enthusiasts largely prefer cheaper, more versatile items to high-end, specialized equipment. This month's Deep Dive (p. 16) explores how BNPL solutions can help outdoor gear merchants reduce sticker shock and turn enthusiasm for the wilderness into industry growth.

# EXECUTIVE INSIGHT

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***Returning customers spend up to three times as much as first-time customers on their purchases. How can BNPL solutions help brands observe more return visits and thus drive increased revenues?***

"When my partner, Anthony Eisen, and I decided to launch Afterpay in the U.S. market a little less than two years ago, we knew that the idea of paying for things in installments, especially online, was a fairly new concept to most American consumers. Shoppers in this market have typically reached for their credit cards to pay for things online. But we also knew that, like Australia, there is a growing number of U.S. consumers who prefer to use their own money and pay over time for things they want and need in their lives without taking out a loan or paying interest or fees.

As it turned out, our expectations were exceeded. There is a large and growing number of U.S. consumers who prefer to use installment payments in this market. When we first launched Afterpay on our U.S. partners' sites, we immediately became 10 percent, 20 percent and sometimes as high as 50 percent of ... retailers' transaction volumes. And once our platform is offered, consumers come back to use it again and again.

Today, the best brands and retailers across all of our markets understand the opportunity to give their shoppers the choice to pay for things using their own money and paying over time. Those merchants are seeing their customers return at high rates. In fact, in Australia and New Zealand, customers who joined Afterpay between 2015 and 2017 are now purchasing, on average, approximately 23 times per year using Afterpay. Newer customers in the U.S. and the U.K. are following a similar upward trend – driving more sales, higher average order value and more conversion from shopping cart to payment. Globally, repeat customers represented 90 percent of our gross merchandise volume over the course of Q3 2020 – highlighting the stickiness and quality of our customer base."

**NICK MOLNAR,**  
CO-FOUNDER AND U.S. CEO, [AFTERPAY](#)

# 5 FIVE FAST FACTS

87%

Share of consumers ages 22 to 44 who are interested in monthly installment plans



17%

Portion of credit card holders who have been offered BNPL options at the point of sale



65%

Share of Afterpay users in the U.S. who are millennials or members of Generation Z



40%

Portion of millennials who report having used a BNPL service



8%

Share of eCommerce transactions in Australia that used BNPL services in 2019



# Customer Journey



HOW BNPL SERVICES

# BRING VALUE TO SMALL BUSINESSES

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feature story





# FEATURE STORY

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Nearly half of the U.S. workforce is [employed](#) at one of 30 million SMBs with 500 employees or fewer. It is a turbulent market with high turnover, however, as half of small businesses last only five years – just one-third make it 10 before shutting down. Eighty-two percent of those that do not survive cite cash flow issues that make them fail to meet their sales goals.

BNPL solutions can encourage higher sales and give SMBs – especially those that sell premium items like specialty tools or apparel, which often have prices that might scare customers away – brighter futures. Massachusetts-based eTailer [1620 Workwear](#) sells heavy-duty clothing for construction workers, carpenters, plumbers, EMTs and others who work outdoors or in demanding environments, and recently began deploying installment payment options from BNPL provider Afterpay.

“Everything’s gotten so much more challenging in [direct-to-consumer],” Josh Walker, 1620’s co-founder, explained in a recent interview with PYMNTS. “Even massive brands that sell hundreds of millions of dollars of this stuff can’t find their way to profitability. If you have [BNPL as] another tool in your arsenal that you can use to get that customer to convert, you’re crazy not to try it.”

BNPL solutions can help small business like 1620 compete with their larger counterparts with lower price points by reducing the upfront cost. They have even helped

businesses during the COVID-19 pandemic by allowing customers to finance vital purchases.

## REDUCING STICKER SHOCK

“Buy once, cry once” is a common adage in many fields, with industry professionals typically agreeing it is more economical in the long run to purchase high-end tools, equipment or gear that lasts for extended periods of time rather than being forced to constantly replace low-end, more affordable models. This is often easier said than done, however, as these items can be so prohibitively expensive that buying once is not an option.

BNPL services can soften this blow by allowing customers to spread out hefty initial investments over a series of smaller payments. These plans are nothing new in these industries, Walker said, meaning workers looking to upgrade their gear will not have to overcome unfamiliarity with BNPL systems that other industries sometimes face.

“Customers are pretty used to paying with payment plans,” Walker said. “[Hand and power tool manufacturer] Snap-on has had a payment plan since probably 1975. These guys are familiar with getting what they need to get their job done and paying for it over time because they need to be out there making a paycheck every week.”

BNPL options are also helping SMBs amid the COVID-19 pandemic and associated economic downturn, which

have resulted in budgets being stretched and both businesses and individuals lacking funds with which to make purchases. Spreading expensive purchases out over several weeks will likely be essential if businesses like 1620 wish to remain in operation, Walker noted.

"[Customers are going to] have to finance everything they need," he explained. "I think if you're not using BNPL [due to] what people's credits are going to look like or what financial institutions are going to look like, you're [missing a significant opportunity]."

Business has so far remained strong, Walker added, as construction firms, fire departments and other organizations that require premium workwear have been deemed essential by state governments. BNPL payment options will remain useful after the pandemic, too, as users will be interested in making staggered, seamless payments well into the future.

## ENABLING SEAMLESS CHECKOUT

Making online checkout frictionless will be key for eCommerce in the years to come, Walker said. BNPL options

will play a role, allowing customers to reduce their financial burdens with the click of a button rather than through tedious payment plans or layaway application processes.

"People want as little friction as possible, and on the merchant side, like us, we want our customers to have a seamless checkout process," he explained. "The easier it is for us to make a sale, the more money we're going to make."

Encouraging small businesses to use BNPL options may be difficult, however. These firms often hesitate to forfeit portions of their sales totals to third-party providers because every dollar counts for SMBs that do not make much in a given month.

"We were [initially] very reticent to give away any percentage because we're from New England and we squeeze quarters until the eagle screams," Walker explained. "Getting someone to our site and getting them to add something to the cart — we've earned that [ourselves]."

Increased customer conversion rates finally convinced 1620's leadership that enabling BNPL options was a good decision. The share of customers that purchase with the BNPL service has so far exceeded its provider's percentage cut, making the partnership worthwhile.

"We [used to have] an insane amount of active carts in a single day, but when [customers] look at that cart, it's not that cheap of a purchase," Walker said. "The more ways for them to say 'yes' to entering that credit card information and clicking that buy button, the better it is for our business."

Small businesses will need every edge they can get to survive the current economic downturn as well as similar challenges down the road. Further adoption of BNPL services could be a game-changing facet in helping more than just one-third of them see their 10th birthdays.



# NEWS & TRENDS

## NEW PARTNERSHIPS

### EBAY PARTNERS WITH AFTERPAY FOR BNPL PAYMENT OPTION

Online auction marketplace eBay is the latest e-commerce giant to embrace installment payment options, [partnering](#) with BNPL solution provider Afterpay to allow customers in Australia to pay for their items over several weeks. Customers will be able to leverage the option at all 40,000 of eBay's small business partners, with eBay covering Afterpay's transaction costs. The partnership marks the BNPL provider's largest collaboration to date, with the offering reaching eBay's 11 million monthly users.

eBay has seen a surge of business in recent months as social distancing guidelines have forced consumers to shop remotely, especially for items to help pass the time under stay-at-home orders. The company reported computer monitor sales have increased 182 percent, dumbbell sales by 854 percent and paint-by-numbers kits by 3,746 percent. eBay has [attributed](#) these increases to customers' desires to keep their minds and bodies active during isolation.

### TENCENT INTRODUCES BNPL PAYMENTS FOR WECHAT

One of the most popular apps in the world is also introducing a BNPL payment plan. Messaging, social media and payment app WeChat, which is produced by Chinese conglomerate Tencent, recently [introduced](#) a new "Fen

Fu" option that allows users to take out microloans to pay for items. The BNPL option has unfixed interest rates and can be repaid whenever the user wishes, which makes it different from BNPL services that have fixed payment plans.

Credit cards are largely [unpopular](#) in China, with many individuals choosing to pay for items via apps like WeChat instead. The app has more than 1 billion active monthly users, and introducing a BNPL option to a receptive audience could thus greatly increase the industry's footprint.

### PENTANA SOLUTIONS ANNOUNCES BNPL PAYMENT CAPABILITY

The automotive market is also beginning to embrace BNPL products, with Australia-based information technology company Pentana Solutions [partnering](#) with a third-party BNPL company that consumers can use when having vehicles repaired. Pentana specializes in software for car dealerships and auto body shops, and plans to roll out the solution to 1,900 of its dealership customers in the near future. The option will be available for vehicle services that cost between \$185 AUD (\$117.57 USD) and \$2,225 AUD (\$1,414.05 USD), depending on the vehicle in question.

Financing is common when purchasing vehicles, but the Pentana product marks one of the first app-based BNPL integrations for vehicle repairs. Repair specialists typically recommend that vehicles undergo a complete servicing biannually or every 6,000 miles, which can add

up – especially if one’s vehicle is prone to problems. BNPL options may incentivize customers to get their cars looked at more often, leading to safer vehicles on the road.

### THE HUT GROUP INTRODUCES BNPL PAYMENT OPTIONS FOR ITS ONLINE RETAILERS

United Kingdom-based online retailer and technology organization The Hut Group (THG) is also embracing BNPL payment options, [partnering](#) with a third-party provider to supply such options for customers across its entire portfolio of online brands, including Glossybox, Illamasqua, lookfantastic, Myprotein and The Hut. Customers will be able to pay for their purchases in six interest-free weekly installments, which THG hopes will enable them to afford products from high-end brands its retailers carry, including Barbour, Estée Lauder and Tom Ford.

BNPL payment options are [growing](#) popular in the U.K., with an estimated 7 million of the nation’s customers using them to make purchases. Most of these services in the U.K. rely on merchant fees – which typically amount to 4 percent commissions per purchase – to turn a profit, rather than customers’ late fees. The companies say the late fees are there to incentivize customers to pay on time rather than to act as an extra revenue stream.

## IN-HOUSE INTRODUCTIONS AND EXPANSIONS

### CISCO, HP LAUNCH DEFERRED PAYMENT PROGRAMS DURING PANDEMIC

Interest-free BNPL payment options are also being developed to help businesses through the COVID-19 pandemic



and its resulting economic downturn. Technology giants Cisco and Hewlett-Packard (HP) recently rolled out BNPL options for firms looking to leverage technology to help them during the health crisis. Cisco's financing option, which offers \$2.5 billion in relief, allows business customers to [delay](#) their initial payments for up to 90 days after purchase and defer 95 percent of product costs until January 2021. Businesses will then enter monthly payment plans after this date. HP's financing option is similar, [devoting](#) \$2 billion in financing relief for businesses. Customers can pay 1 percent of the products' costs per month until January 2021, deferring more than 90 percent of the total cost, at which point they then shift to a payment plan of 3.3 percent of the remaining cost per month. HP is also expanding its product buyback policy to encompass new products and encourage businesses to make purchases; this policy was previously available only for older HP items.

Both initiatives [aim](#) to help customers overcome cash flow issues, which have been significant during the pandemic, according to the CEO of one of Cisco's customers. These payment options will allow customers to defer payments until the pandemic's business impacts are more manageable, alleviating one more problem as they work to keep their doors open.

### **GOLDMAN SACHS LAUNCHES POS FINANCING OPTION**

Large banks are also getting into BNPL payments with POS financing products. Goldman Sachs [launched](#) MarcusPay in April, allowing customers to break payments up at the POS into monthly installments over 12 months to 18 months. MarcusPay charges fixed interest rates between 10.99 percent and 25.99 percent but is otherwise fee-free. The financing capability is currently only available at JetBlue, but Goldman Sachs plans to expand to other vendors and merchants over time.

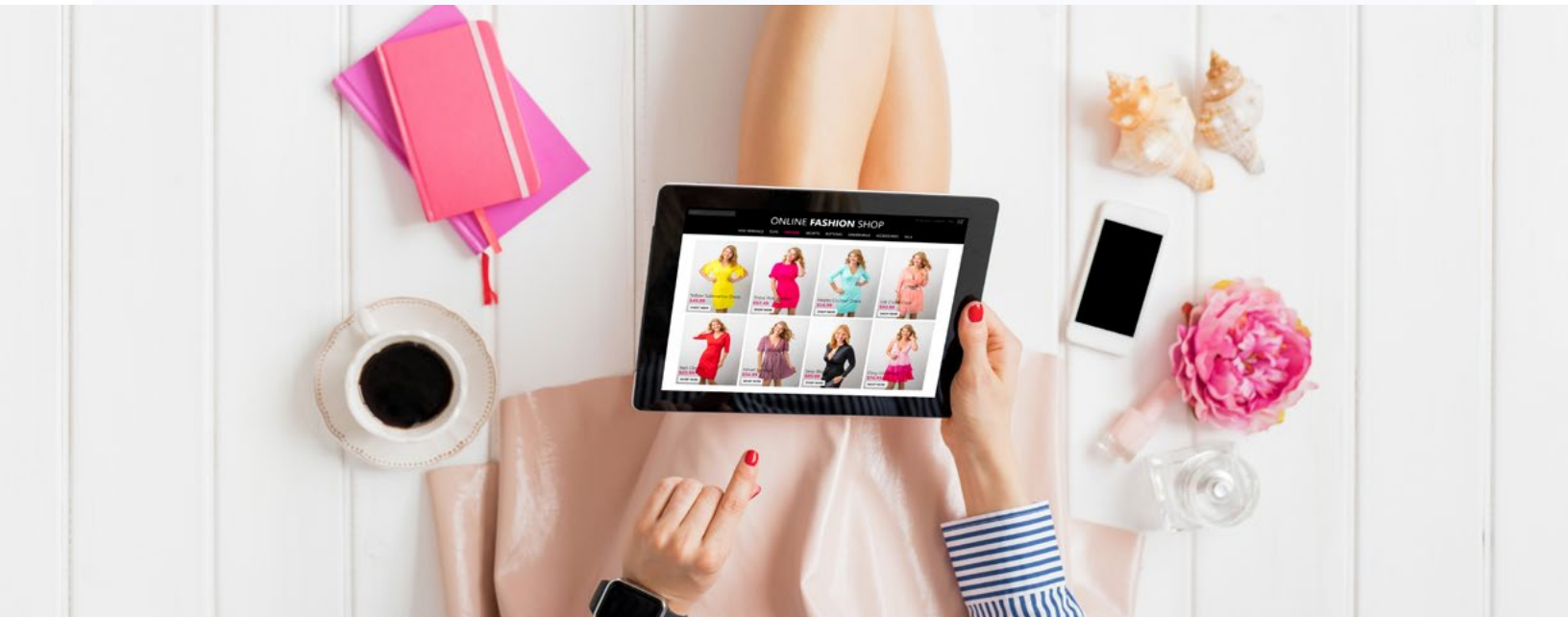
MarcusPay aims to tap into the millennial BNPL market, with approximately 6 percent of the generation carrying one or more POS loans – double that of Generation X consumers and quadruple that of baby boomers. Gathering interest on these POS loans will also allow the bank to meet its goal of generating up to \$900 million in income over the next five years.

## INDUSTRY TRENDS

### **STUDY FINDS BNPL GROWS 40 PERCENT YEAR OVER YEAR**

BNPL options are now quite popular, with 40 percent of millennials and 57 percent of Gen X consumers having [used](#) such services. These options are also expanding in availability, with the BNPL solutions industry [growing](#) nearly 40 percent year over year between 2019 and 2020. Payment processing company Worldpay recently [predicted](#) that this will continue for the foreseeable future, with the market doubling its size in the U.K. by 2023. This rate of expansion is twice as much as is estimated for bank transfers and three times larger than that for digital wallets.

These systems are also beneficial to businesses, with many reporting that consumers spend 55 percent more at stores when offered BNPL options. Such offerings seem to drive new sales while also bolstering existing ones, according to the research, with 44 percent of BNPL users saying they would not go through with purchases if these options were unavailable. Such products do come with risks, though, including that customers will not pay for their items as promised. Many businesses are thus turning to third-party BNPL solutions that handle customer nonpayment risks rather than creating their own in-house offerings.



## SPENDING VIA BNPL SERVICES TO DOUBLE IN AUSTRALIA BY 2023

Few countries have embraced BNPL payment options as much as Australia, where such payments currently account for 8 percent of all eCommerce transactions, according to a recent [study](#). This is more than double the 3 percent share of eCommerce transactions for which BNPL services accounted in 2018 and is set to more than double by 2023 to 17 percent. Approximately 4 million Australians – slightly less than one-fifth of the country's 25 million citizens – are now using BNPL solutions on a regular basis, and these offerings' rising popularity is in sharp contrast with the declining market share of their greatest competition: credit and debit. Debit is set to account for only 28 percent of eCommerce transactions in 2023 – down from 46 percent in 2019.

Credit and debit still make up most in-store transactions when combined with cash purchases, however, representing 87 percent of in-store purchases in 2018 and an estimated 79 percent in 2023. eCommerce options are growing more

popular while in-store purchases are declining, the study found. BNPL options also appear to be on the ascent in this growing market segment, while credit and debit only dominate a shrinking sphere and will likely further reduce their presences in the coming years.

## BNPL SPENDING DATA REVEALS AMERICAN CONSUMERS' SHOPPING HABITS

The U.S. also has a growing number of BNPL product users, representing 4.4 million of Afterpay's 8.4 million-strong userbase. The company's recently released biannual global trend [report](#) revealed that 65 percent of these users were millennials or members of Gen Z, and that most live in metropolitan areas with high costs of living. American consumers tend to shop in the morning – around 8 a.m. on the East Coast and 10 a.m. on the West Coast, according to the findings – which stands in contrast to most of the rest of the world's 1 p.m. shopping time.

Afterpay also found that 65 percent of its userbase made at least two purchases over the past six months, indicating that BNPL users are satisfied enough with the experience to use the service repeatedly. Only 33 percent of U.S. millennials reported using budget tools to monitor their financial situations, however, compared to 67 percent of all consumers in Australia and New Zealand. Tools like these may be vital to preventing the overspending and credit score damage that sometimes accompany BNPL product overuse.

### **BNPL PURCHASES SHIFT FROM APPAREL TOWARD BEAUTY, LEISURE GOODS**

The clothing industry has long been a primary market for BNPL users, but the portion using BNPL options to pay for apparel is declining while other products are on the upswing. A recent [study](#) of BNPL purchases from Gen Z, millennial and Gen X users found that purchases of apparel declined by up to 11 percent week over week between March 28 and April 4 while those of health and beauty products increased up to 20 percent. BNPL-assisted purchases as a whole also increased, particularly among younger generations: Gen Z purchases were up 5 percent while millennial purchases were up 4 percent.



This shift can largely be attributed to the COVID-19 outbreak, which is forcing billions of individuals to stay at home. Not having to go into offices appears to have reduced many individuals' incentives to invest in new work clothing: Comfortable clothes purchases jumped as stay-at-home orders were put into place, but this spike appears to have leveled off as BNPL users now have enough leisure-wear to ride out the pandemic.

## GOVERNMENT OVERSIGHT

### **UK REGULATOR ASKS BNPL PROVIDERS TO DEFER REPAYMENTS DUE TO COVID-19 CRISIS**

The ongoing COVID-19 pandemic is affecting every corner of the global financial industry and economy as companies are laying off or furloughing employees to reduce overhead and stay afloat. This is severely affecting consumers' abilities to repay debt, but regulators are stepping in to protect them from collections agencies. The U.K.'s Financial Conduct Authority (FCA), a nongovernment regulatory body that monitors more than 58,000 businesses, recently [asked](#) BNPL, rent-to-own and pawnbroking organizations to defer repayments on loans to reduce many Britons' economic burdens. This request is a temporary measure as the FCA plans to consult with finance firms to come up with a finalized repayment deferral proposal by the end of April.

The FCA's appeal is its latest move to reduce U.K. citizens' COVID-19-related economic hardships. It previously ordered a three-month repayment freeze on all bank loan and credit card repayments and granted a one-month reprieve for consumers with payday loans. The organization also plans to impose a three-month deferral for auto loans and has already asked automotive finance providers to halt repossession during the ongoing crisis.

# DEEP DIVE

## HOW BNPL SERVICES **INCENTIVIZE HIKERS TO SPEND MORE ON GEAR**

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Millennial and Gen Z stereotypes often revolve around being tied to smartphones or computer screens, but these consumers love the outdoors just as much as their parents' and grandparents' generations. One [study](#) found that individuals between the ages of 18 and 30 performed more than one-third of all hiking-related web searches, for example, with 81 percent of millennials saying they would consider taking up hiking as a hobby. Sixty-one percent of this group is [exploring](#) camping for the first time – numbers that are 25 percent for members of Generation X and 14 percent for baby boomers.

This enthusiasm has not translated into profits for the outdoor gear industry, however, largely because of high [costs](#). Basic equipment, like hiking boots, can often cost more than \$100, and those wishing to get into activities like camping, backpacking or fishing could easily drop

hundreds of dollars on tents, rods and other equipment. Younger generations – who are typically less interested in high-skill pursuits, according to some [reports](#), and instead view outdoor hobbies as social activities – are instead turning to cheaper, more versatile options, like light hiking shoes or dual-sport mountain bikes. That also means retailers are missing out on selling the high-margin specialized equipment that drives much of their annual sales.

BNPL solutions might be key to reducing the financial barriers that keep customers from purchasing the outdoor gear they want or need. The following Deep Dive examines merchants that have partnered with third-party BNPL providers or introduced their own financing plans to supply such offerings to their customers, and why installment payments could mean big growth for the industry.



## FACING CHALLENGES IN ENJOYING THE OUTDOORS

Social media can show how much millennials and members of Gen Z love hiking, camping and other outdoor activities. These generations partake for several reasons, including their exercise benefits, cited by 65 percent, and the promise of inspiring views and the potential for interacting with nature, reported by 55 percent and 53 percent, respectively. An additional 29 percent said hiking was a good way to get pictures for their social media accounts.

The ongoing COVID-19 pandemic has driven individuals outdoors, with state-level social distancing guidelines disrupting normal recreational activities such as going to the gym. The White House [urged](#) the U.S. Department of the Interior (DOI) to waive national park entrance fees early in the outbreak, encouraging untold thousands of individuals to stock up on outdoor equipment and travel to the parks. This move backfired, however, as hiking paths became so crowded that park officials were concerned

about maintaining social distancing guidelines. One Grand Canyon park ranger reported having more than 600 close encounters with visitors in a single day, for example, and dozens of national parks have since [closed](#) certain areas, like visitors' centers, or shuttered entirely.

This interest in outdoor hobbies, especially among younger generations, should be resulting in record-setting revenues for outdoor retailers, but this has largely not materialized. The problem appears to be that budding outdoor enthusiasts' shopping habits are not conducive to the expensive, specialized equipment that drives the industry's profit margins.

## GROWTH AND INTEREST DISCREPANCIES

Millennial and Gen Z consumers' enthusiasm for outdoor activities only [resulted](#) in 1.3 percent annual growth for the outdoor equipment industry between 2014 and 2019. This is because these generations largely prefer less



expensive and more versatile equipment, resulting in less profit for retailers. A pair of light hiking shoes could be used for both a trip to a national park and to the local grocery store, for example, so many customers [choose](#) to invest in these rather than expensive, specialized boots. Individuals can also use inexpensive mountain bikes to get around on city streets – with less risk of theft than high-end road and mountain bike equivalents.

These more affordable, multi-use items may be economical in the short term, but they will likely require repairs or replacements much more quickly than their high-quality, <sup>01</sup> costlier counterparts. Paying a one-time higher price for specialized gear could thus help customers save money in the long run. Such products are more durable, longer-lasting and better equipped to withstand the elements – both on the trail and around town.

Encouraging customers to spend more on specialty gear could be key to bringing outdoor industry revenue in line with younger generations' growing interests in these activities. Retailers are exploring BNPL services to that end as outdoor enthusiasts could be more incentivized to make hefty purchases if costs were deferred over a longer period of time.

## ENCOURAGING INDUSTRY GROWTH

BNPL offerings are a surefire way to incentivize sales when customers need certain goods. Seventy-six percent of all U.S. consumers are more likely to go through with purchases if offered payment plans at the POS, according to certain [research](#), mainly because they desire a simpler alternative to opening lines of credit with bank or card providers. Millennials and Gen Z consumers around the world are particularly keen on BNPL services, too, [representing](#) more than 40 percent and 35.1 percent of Australian BNPL users, respectively.

Combining younger consumers' affinity for BNPL products with their love of outdoor activities seems to be an ideal match to encourage growth in the industry, especially as other areas have seen BNPL-related success. Retailers in the U.K. [saw](#) 15 percent incremental sales increases after incorporating these payment options, for example. Many outdoor retailers have already instituted BNPL options to spread the cost of expensive gear over several smaller payments. First Tactical, Hyke & Byke, Filson and YETI have [collaborated](#) with third-party BNPL providers to offer these services – the apps pay retailers the full purchase price and users pay the apps back in installments. Their goal is to reduce the financial burden for those wishing to purchase higher-priced gear and get into outdoor activities.

Other retailers, including Bass Pro Shops and Mountainman Outdoor Supply Co., have introduced their own financing options. These systems allow customers to pay off their purchases over several months, with typically longer terms than their app-based counterparts. Retailer-branded options may be successful with customers who are already familiar with their offerings and products, but these offerings do not necessarily drive new revenue to the store, as is the case with third-party apps that advertise retail partners to their users.

Making outdoor equipment more affordable is the primary goal, however, and any BNPL option will likely encourage outdoor enthusiasts to spend more on the equipment they need to enjoy their favorite activities. This lowered bar for entry could also go far in convincing the 81 percent of millennials who are considering trying hiking to take their first steps along the trail.

# ABOUT

## PYMNTS.com

[PYMNTS.com](#) is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

## afterpay

[Afterpay](#) is a financial technology company and buy now, pay later solutions provider for retail and merchant brands worldwide. The company’s BNPL solutions provide alternative payment support for over 42,000 global merchants both online and in-store, including luxury brands such as Anthropologie, KylieSkin by Kylie Jenner, Ray Ban and Ulta Beauty. It operates both the BNPL solution Afterpay as well as the United Kingdom payment service Clearpay. The company is headquartered in Melbourne, Australia.

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