

BNPL And The In-Store Opportunity,

a PYMNTS and Zip collaboration, examines consumers' views about BNPL as a payment option for both online and in-store purchases. We surveyed 2,025 consumers in the United States about their usage of BNPL as a payment method at big-box stores, department stores, luxury and specialty retailers and local businesses. We asked consumers whether they would be more likely to use BNPL for in-store purchases if it were made available and how offering BNPL would affect their perception of a merchant.

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WHY MERCHANTS MUST OFFER
PAYMENT FLEXIBILITY AT THE POS

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BNPL And The In-Store Opportunity was produced in collaboration with Zip, and PYMNTS is grateful for the company’s support and insight. **PYMNTS.com** retains full editorial control over the following findings, methodology and data analysis.

INTRODUCTION

Buy now, pay later (BNPL) methods have reached new heights over the past year as consumers have kept flexible, digital payments front and center during transactions. PYMNTS' research has found that 42% of BNPL users planned to use the method during the holiday season to buy gifts, and signs indicate that their enthusiasm for the payment method will continue to grow in the year ahead.¹ Many consumers have demonstrated fondness for BNPL because it can help them manage their payments and extend their purchasing power to cover even big-ticket and luxury items.

BNPL's appeal to merchants is equally palpable. They recognize that consumers are more likely to make purchases rather

than just window shop when BNPL is available — and that consumers tend to spend more money when it is offered, too.² Much of BNPL's use to date has occurred online, where the payment option has fast become a staple at checkout, but savvy merchants and BNPL providers also spot an opportunity in expanding its in-store usage.³ PYMNTS' research has found that consumers are more willing to use BNPL if they are aware of its availability, and they are willing to use it in-store about as much as they do online. Boosting in-store usage could be simply a matter of smoothly integrating the method into the point-of-sale (POS) experience and making sure consumers know it is available. Once consumers have used BNPL, PYMNTS' research shows, there is a strong

likelihood they will use it again and look more fondly upon merchants that offer it as an option.

BNPL And The In-Store Opportunity: Why Merchants Must Offer Payment Flexibility At The POS, a PYMNTS and Zip collaboration, examines consumers' views about BNPL as a payment option for both online and in-store purchases. We surveyed 2,025 consumers in the United States about their usage of BNPL as a payment method at four retail location types: big-box stores such as Home Depot and Best Buy, department stores including JCPenney or Kohl's, luxury and specialty retailers such as Tiffany or Perfumania and local businesses including gift shops, bakeries and hardware stores. We asked consumers whether they would be more likely to use BNPL for in-store purchases if it were made available and how offering the method would affect their perception of a merchant.

Here is what we learned.

¹ BNPL Expected to Play an Expanding Role in 2021 Holiday Spending. PYMNTS.com. 2021. <https://www.pymnts.com/bnpl/2021/buy-now-pay-later-new-buzz-builder-conversion-driver-small-business>. Accessed February 2022.

² Buy Now, Pay Later: The New Buzz-Building and Conversion Driver for Small Business. PYMNTS.com. 2021. <https://www.pymnts.com/tracker/buy-now-pay-later-consumer-holiday-spending-ecommerce/>. Accessed February 2022.

³ Gray, J., The Evolution of Buy Now, Pay Later. Retail Brew. 2021. <https://www.morningbrew.com/retail/stories/2021/12/27/the-evolution-of-buy-now-pay-later>. Accessed February 2022.



BNPL usage is much higher online than it is at physical stores.

Almost 10% of consumers who made luxury and specialty store purchases online used BNPL during their most recent transactions, while just 1.8% of in-store luxury and specialty shoppers reported using it. This trend toward considerably greater use of BNPL online than in-store occurred across all the retail segments surveyed. Our research reveals that 5.1% of online big-box shoppers used BNPL during their most recent transactions, whereas just 0.2% of their in-store counterparts did so.

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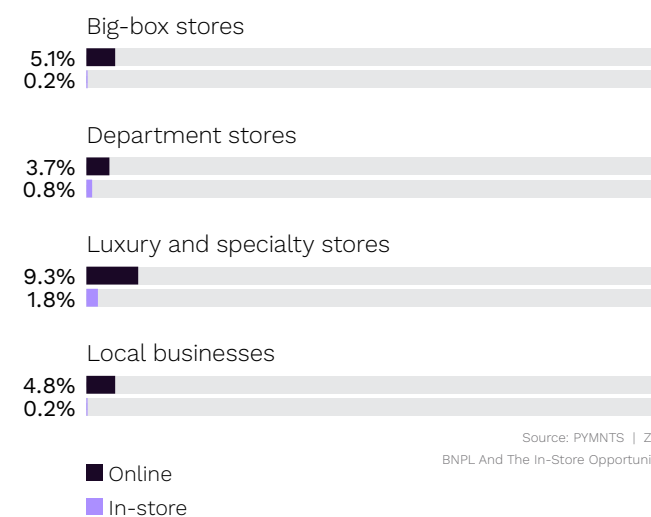
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FIGURE 1:

Consumer use of BNPL online and in-store
Share of consumers who used BNPL online and in-store for their most recent purchases, by retail segment



This is not to say that offering BNPL in-store is a fruitless endeavor for merchants. The reality is quite the opposite, in fact, as PYMNTS' research indicates that consumers are willing to experiment with payment methods they have not tried previously once they learn about their availability. To date, merchants have been more actively promoting BNPL for online purchases than they have for in-store purchases, and the patterns of both consumer awareness of BNPL and their use of it corroborate this.



70%

OF MILLENNIALS ARE HIGHLY INTERESTED IN USING INSTALLMENT PAYMENT METHODS AT **LUXURY AND SPECIALTY RETAILERS.**

Consumers' comparatively minimal in-store BNPL usage boils down to availability.

BNPL was offered for roughly half of consumers' most recent online purchases across retail segments but available for less than one-fifth of in-store purchases. The gap between online and in-store availability of BNPL was most dramatic for consumers making purchases from local businesses: Online, 55% of these entities offered BNPL, while just 4.8% offered the method in-store. The smallest availability gap was observed among consumers shopping at luxury and specialty stores, with BNPL offered for 52% of their most recent online purchases and 28% of their in-store purchases. At department stores, BNPL had 47% availability for online purchases and 17% in-store. Big-box stores had 41% availability online but only 12% in-store.

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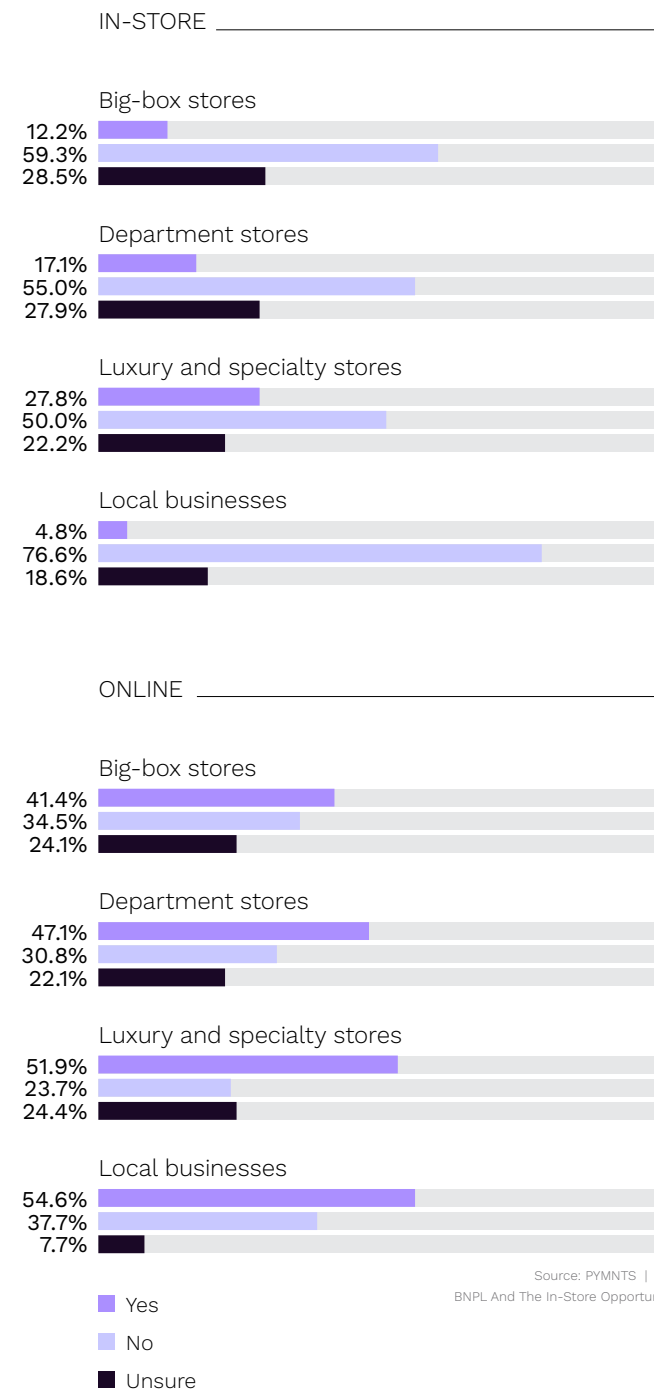
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FIGURE 2:

Availability of BNPL across retail segments

Share of shoppers who reported BNPL as an option for their last in-store or online purchases, by segment



46%
OF ONLINE SHOPPERS AT DEPARTMENT STORES SAY THEY ARE **HIGHLY INTERESTED** IN USING AN INSTALLMENT PAYMENT METHOD SUCH AS BNPL.

Luxury and specialty shoppers demonstrate greater use of BNPL at the brick-and-mortar POS than do in-store customers across other retail segments, but there is still a disconnect when it comes to availability. Half of the in-store luxury and specialty shoppers in our survey said BNPL was not available during their most recent purchases, and 22% could not remember whether it was available. This suggests that merchants across all segments have an opportunity to increase BNPL usage in their stores if they not only make it available but also promote it or ensure customers are aware it is offered.

Consumers' interest in installment payments is about the same for both online and in-store purchases, despite the gap in availability.

The shares of online and in-store shoppers who are highly interested in using installment payment methods such as BNPL are roughly equal across retail segments. Thus, consumers seem prepared to use installment methods in-store more often than they have been, with the main issue being the relative lack of availability.

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FIGURE 3:

Consumer interest in using installment payment methods

Share of consumers highly interested in using installment payment methods such as BNPL, in-store versus online



Our research shows that 56% of luxury and specialty store shoppers are highly interested in using installment payments for purchases online, and 53% are interested in doing so in-store. Among department store customers, 46% of online shoppers and 41% of in-store shoppers say they are highly interested in using an installment payment method such as BNPL. This trend of similarity continues for the remaining two segments, with roughly one-third of big-box store and local business shoppers highly interested in using installment payments for their in-store and online purchases.

52%
OF **BNPL NONUSERS**
ARE HIGHLY
INTERESTED IN
USING IT FOR ONLINE
SHOPPING AT A LUXURY/
SPECIALTY STORE.



94%
 OF CONSUMERS WHO HAVE USED BNPL OPTIONS IN THE PAST MONTH SAY **THEY WOULD USE THEM AGAIN AT A LOCAL RETAILER'S PHYSICAL STORE.**

Installment payment plans such as BNPL also appear to be especially appealing to certain demographics, namely consumers from younger generations. Our findings show that 70% of millennials, 66% of bridge millennials and 65% of Generation Z consumers are highly interested in using installment payment methods at luxury and specialty retailers, for example, while 49% of Generation X consumers and only 24% of baby boomers and seniors say the same. The younger three generations express the greatest interest in using installment payments across the other retail segments as well.

TABLE 1:
Consumer interest in using installment payment methods

Share of consumers highly interested in using installment payment methods such as BNPL, by generation and financial lifestyle

■ Highest
 ■ Lowest

	Big-box stores	Department stores	Luxury and specialty stores	Local businesses
GENERATION				
• Generation Z	42.6%	56.7%	64.5%	51.9%
• Millennials	51.1%	57.4%	69.8%	45.5%
• Bridge millennials	45.6%	54.8%	66.0%	42.9%
• Generation X	36.2%	45.0%	49.0%	33.9%
• Baby boomers and seniors	19.4%	21.2%	24.3%	18.6%

Source: PYMNTS | Zip
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Both in-store and online shoppers who have used BNPL in the past month are much more likely to use it again.

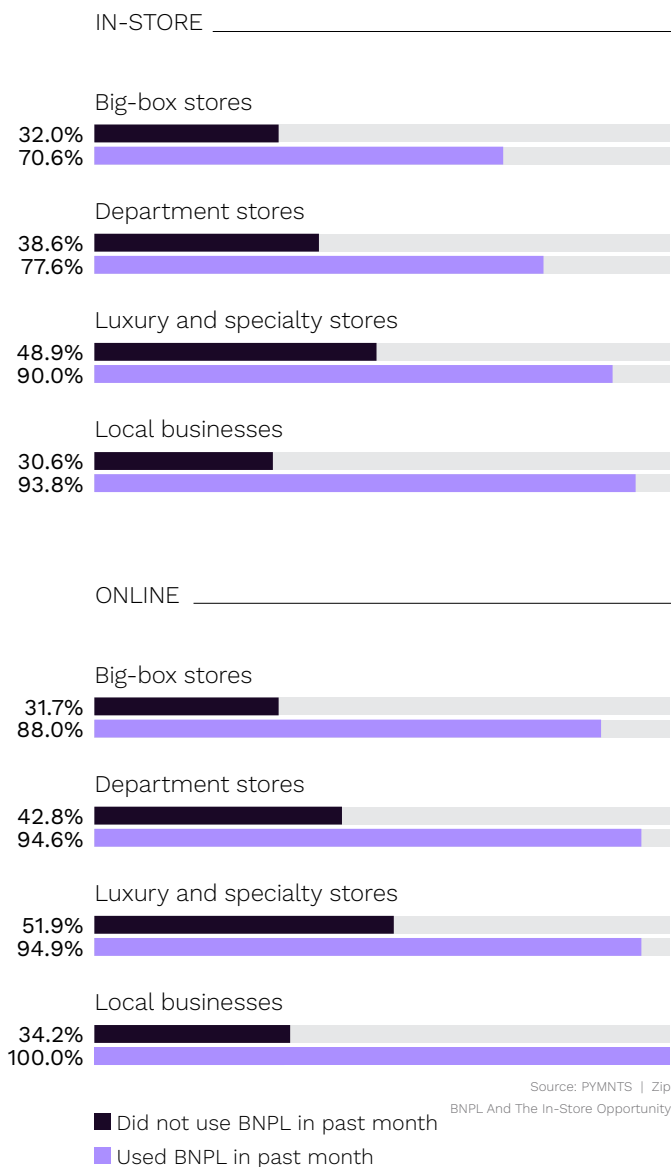
Consumers from the groups most interested in using BNPL represent a key opportunity for merchants to drive BNPL adoption: Once a consumer has used these installment payment methods, they are much more likely to do so again. For example, nearly every consumer who has used BNPL in the previous month reports interest in using it again at a local business. All of them say they would use BNPL as a form of payment while shopping at a local retailer's website, and 94% say they would use it at the merchant's store. Such interest in using BNPL is less pronounced among consumers who did not use it during the previous month, but between one-third and one-half of these consumers say they are highly interested in BNPL whether shopping online or in-store across all our surveyed retail segments.

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FIGURE 4:
Consumer interest in using BNPL for purchases

Share of consumers highly interested in using BNPL for online and in-store purchases, by retail segment and whether they have used BNPL in the past month



MERCHANTS HAVE AN OPPORTUNITY TO INCREASE THE BENEFITS THEY DERIVE FROM BNPL BY TAILORING PROMOTIONAL EFFORTS DIRECTLY TO THE GROUPS THAT ARE MOST INTERESTED IN THE PAYMENT METHOD.

Customers of luxury and specialty stores say they are highly interested in using BNPL, particularly if they used it before. The interest is somewhat higher for using BNPL online as opposed to in-store: 95% of those who used BNPL recently say they would use it for an online purchase from a luxury/specialty store, and 90% say they would use it at one of the retailer's locations. Among nonusers of BNPL, 52% are highly interested in using it for online shopping at a luxury/specialty store, and 49% are highly interested in using the payment method in-store.

FIGURE 5:
Consumer interest in using BNPL for purchases

Share of consumers who were aware of BNPL's availability during their most recent purchase and are highly interested in using it in the future



Big-box store customers who used BNPL during the previous month, when compared to shoppers at other types of retailers, exhibited the lowest level of interest in using it again. A still-robust 71% of big-box store customers, however, say they are interested in using BNPL for in-store purchases.

66%

OF BRIDGE MILLENNIAL AND MILLENNIAL CONSUMERS SAY THEY HAVE A POSITIVE VIEW OF LUXURY AND SPECIALTY RETAILERS THAT OFFER BNPL

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BNPL's availability has a positive impact on the perception of merchants for more than half of luxury and specialty store customers and for nearly half of department store customers.

All merchants, not just luxury and specialty stores, have an opportunity to increase the benefits they realize from promoting BNPL by tailoring promotional efforts directly to the groups that are most interested in the payment method.

Younger consumers tend to have more favorable views of a merchant that offers BNPL. Our data finds that 66% of bridge millennial and millennial consumers say they have a positive view of luxury and specialty retailers that offer BNPL as a payment option online and in-store, and 56% of consumers from these generations say the same for department store merchants offering BNPL online and in-store.

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FIGURE 6:
Consumer perceptions of merchants that offer BNPL

Share of consumers who have positive views of merchants across retail segments when BNPL is available, online versus in-store



Other retailers also have an opportunity to improve customer perception of them by making BNPL available. For department stores, 47% of online customers and 45% of in-store shoppers view the retailer favorably when BNPL is available.

The effect on customers' views is less pronounced — but still significant — for local businesses and big-box stores. For example, 40% of online customers and 39% of in-store shoppers at local businesses view a merchant favorably when BNPL is available. For big-box stores, 38% of online customers and 37% of in-store shoppers have favorable views of a retailer when BNPL is an option.

TABLE 2:
Consumer perceptions of merchants that offer BNPL

Share of consumers who have positive views of merchants across retail segments when BNPL is available, by generation and financial lifestyle

	Big-box stores	Department stores	Luxury and specialty stores	Local businesses
GENERATION				
• Generation Z	46.6%	63.8%	70.6%	57.2%
• Millennials	51.1%	55.7%	66.1%	46.6%
• Bridge millennials	45.6%	56.1%	65.6%	43.9%
• Generation X	37.9%	48.5%	53.6%	38.8%
• Baby boomers and seniors	23.8%	25.6%	30.0%	24.2%

Legend: ■ Highest (Green), ■ Lowest (Red)

Source: PYMNTS | Zip BNPL And The In-Store Opportunity

More than half of all luxury and specialty retail customers are at least “somewhat” likely to switch merchants as a result of BNPL availability.

BNPL can be a prime differentiator for merchants, giving them an opportunity to increase their sales and even draw customers away from the competition. Many consumers say they would be more likely to shop at a merchant that offers BNPL than at one that does not. In fact, 46% of department store customers say they would switch to another retailer that offered BNPL as a payment option, illustrating what is at stake for merchants that miss out on this opportunity.

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FIGURE 7:

Consumer willingness to switch merchants for access to BNPL

Share of consumers likely to switch to merchants that accept BNPL



Bridge millennials and millennials are more likely than other age groups to switch to merchants that offer BNPL. The lone exception to this is in the local business category, in which Generation Z consumers are the most likely to switch merchants for access to BNPL options, at 35%.

TABLE 3:

Consumer willingness to switch merchants for access to BNPL

Share of consumers likely to switch to merchants that accept BNPL, by generation and financial lifestyle

	Big-box stores	Department stores	Luxury and specialty stores	Local businesses
GENERATION				
• Generation Z	19.1%	14.6%	35.8%	35.1%
• Millennials	27.2%	41.4%	58.4%	30.5%
• Bridge millennials	23.4%	38.2%	55.3%	26.8%
• Generation X	14.7%	22.3%	28.6%	16.7%
• Baby boomers and seniors	7.6%	9.2%	16.0%	8.5%

Legend: ■ Highest (Green), ■ Lowest (Red)

Source: PYMNTS | Zip
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CONCLUSION

BNPL's recent growth can be attributed to its growing ubiquity across retail segments and its use for online transactions. Now, merchants have an opportunity to extend BNPL's growth further by promoting it to in-store customers. PYMNTS' research shows that consumers are highly interested in using BNPL for their in-store shopping, but merchants and other participants in the BNPL market must let shoppers know the payment method is available for them to use. As BNPL is promoted more aggressively, in-store use is all but certain to rise, helping merchants generate greater sales volumes and increase profits.

METHODOLOGY

BNPL And The In-Store Opportunity: Why Merchants Must Offer Payment Flexibility At The POS, a PYMNTS and Zip collaboration, examines consumers' views about the use of BNPL for purchasing goods both online and in-store. We surveyed 2,025 consumers in the U.S. on Nov. 23 and 24, 2021, about their views toward BNPL as a method of short-term credit. We asked about their use of BNPL as a payment option, how they view the merchants that offer BNPL and how its availability affects their shopping and payment decisions.

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Zip (ASX:Z1P) is a leading global Buy Now, Pay Later (BNPL) company providing fair and seamless solutions that simplify how people pay.

Founded in Australia in 2013 and now with a presence in 13 international markets, our mission is to be the first payment choice, everywhere and every day. We give consumers, merchants and businesses around the world access to transparent, flexible and interest-free credit.

Driven by people-centred product innovation, we are the next generation of payments, helping consumers and businesses to take control of their financial future.

Over 81,000 retailers around the world offer Zip as a payment choice to our 9.9 million and growing active customers globally.

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