

How retailers are implementing buy now, pay later options this holiday season

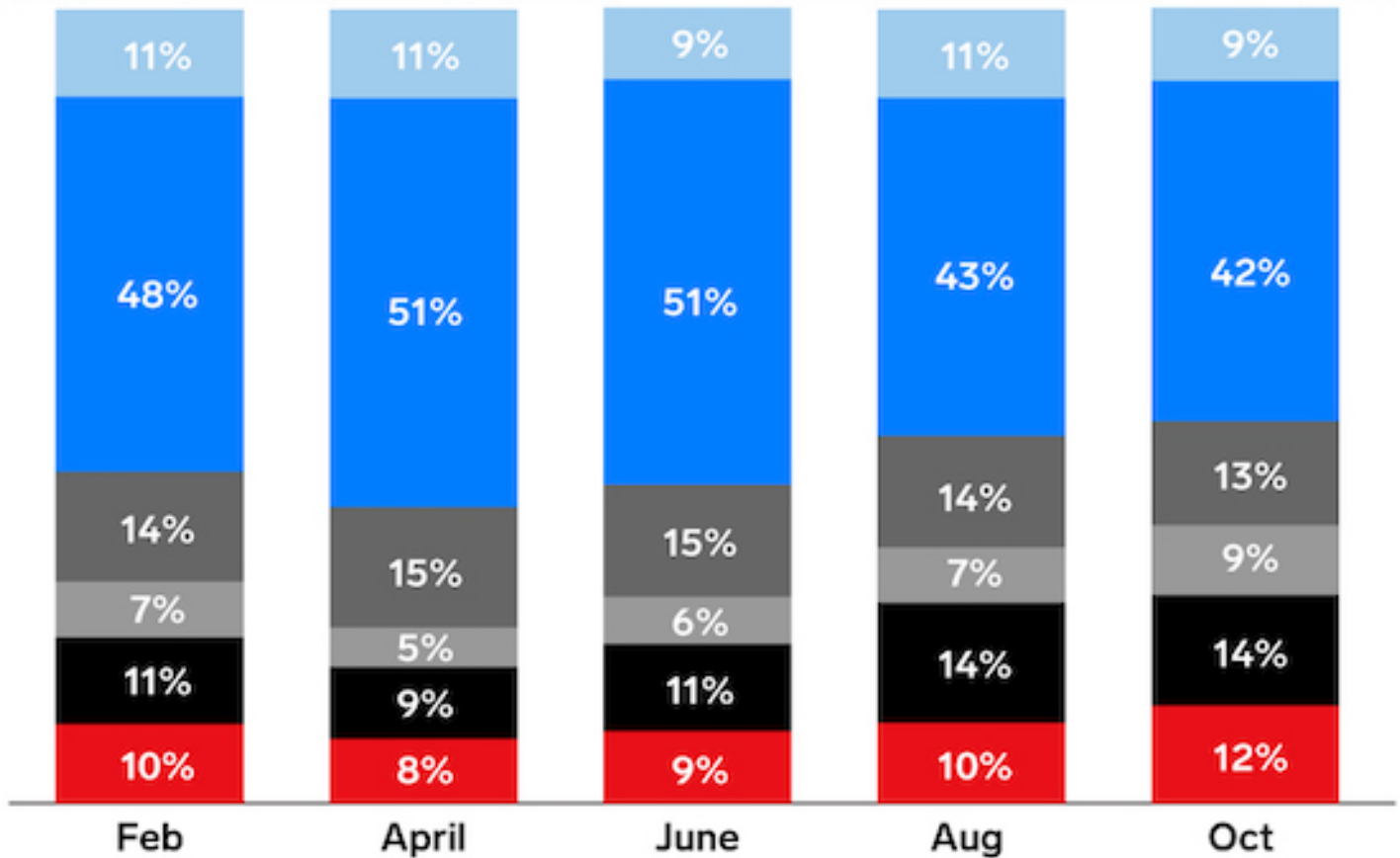
Article

Shoppers are encouraged to take advantage of buy now, pay later (BNPL) options to offset some of the stress from a shopping season marked by strong consumer demand, rising

inflation, product shortages, and smaller discounts from retailers.

US Adults' Interest in Using Buy Now, Pay Later (BNPL) Services* at Checkout, Feb 2021-Oct 2021

% of respondents



- Use it regularly
- Have used before, but don't use regularly
- Have not used, but very interested
- Have not used, but somewhat interested
- Have not used and not interested
- Don't know what this is

Note: Feb 2021 n=1,045; April 2021 n=990; June 2021 n=1,022; Aug 2021 n=1,066; Oct 2021 n=1,077; ages 18-65 who made a digital purchase in the past month/30 days; surveys conducted every two months; numbers may not add up to 100% due to rounding; *e.g., Affirm, Afterpay, Klarna, QuadPay
 Source: "The Insider Intelligence Ecommerce Survey" conducted in October 2021 by Bizrate Insights, Oct 6, 2021

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Also in time for the holidays, BNPL is moving from online to in-store. This year, US holiday retail sales will hit a record **\$1.147 trillion** with **81.6%** of that coming from in-store shopping. Increasing the availability of BNPL in stores via retail partnerships will be critical to getting providers in on the return to in-person shopping during the peak holiday season.

- **Klarna** has announced agreements with major US mall operators **Macerich** and **Simon** as well as **Macy's** and **FreedomPay**, to expand in-store BNPL offerings. At Macy's, for example, shoppers can pay for purchases with one-time virtual cards created in the Klarna app and stored in their digital wallets.
- Afterpay is sending shoppers on augmented reality (AR)-linked scavenger hunts through select **Westfield** shopping centers to unlock holiday deals via QR codes that can be redeemed at mall retailers that accept Afterpay.
- For the first time in its 60-year history, **Walmart** is doing away with traditional layaway plans in favor of BNPL, thanks to its partnership with **Affirm**, which will be promoted via TV walls in more than **3,900** Walmart stores. Prominent placement of BNPL offerings in stores will also help expand the user base to draw in consumers who make fewer purchases online, such as the typical Walmart consumer who is in the 55-to-64 age range.
- According to Deloitte's 2021 Pre-Thanksgiving Pulse Survey, **30%** of respondents plan to use BNPL to stretch their holiday budgets, compared with **35%** who will use credit cards. Additionally, a Morning Consult survey found **35%** of BNPL shoppers expect to spend **\$500 or more** on their installment-plan holiday purchases, compared with **25%** of respondents overall.

Initial reports from Cyber Week indicate these strategies are working. **PayPal** CEO Dan Schulman said there were more than **750,000** BNPL transactions on Black Friday, a nearly **400%** year-over-year (YoY) increase, while Afterpay reported a **34%** increase in orders on Black Friday and Cyber Monday with in-store transactions up **442%** YoY.