

Buy Now, Pay Later Picks Up Steam Online

Financing plans and installment payments are becoming more common on ecommerce sites

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Ecommerce-wise, sometimes it seems like everything old is new again. Traditional retail features like layaway and installment plans have been adapted for online shopping and are growing in popularity—especially among younger consumers.

Maybe you have seen fine print offering four interest-free payments instead of one lump sum by a company called Afterpay on retail sites like [Anthropologie](#) and [Steve Madden](#). Countless others—QuadPay, UpLift, Affirm, Klarna, Splitit—have popped up to provide similar services.

Why so many? The resurgence is in response to multiple factors: added flexibility that omnichannel shoppers have become accustomed to, economic uncertainty along with the need to manage debt, and the fact that younger consumers are far less likely to use credit cards. Per [Experian](#), Gen Z has 1.44 credit cards on average, millennials have 2.52, Gen Xers have 3.22, and boomers have 3.53.

In an August 2018 global survey by [BigCommerce](#), 45% of digital consumers said that the availability of financing options would influence a purchase decision. Over one-third of those who used financing said it allowed them to buy a more expensive product than

they initially had in mind, and 31% wouldn't have made a purchase without the option to pay in installments.

What Is the Main Way Financing Influences the Buying Decisions of Internet Users in Australia, the UK and the US?

% of respondents, Oct 2018



Note: ages 18+

Source: BigCommerce, "2018 Omnichannel Buying Report" conducted by SurveyMonkey, Oct 24, 2018

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www.eMarketer.com

Younger shoppers—specifically Gen Z—were more influenced by financing options than older generations were. This makes sense since, in addition to low credit card adoption, younger consumers are also likely to have smaller incomes and less spending power.

According to a July 2018 survey by payment solution [Splitit](#), the ability to make interest-free installment payments on digital purchases would increase the likelihood of buying online for 35% of US shoppers.

Zero interest is key for consumers. Close to half (47%) of the respondents said that would be the most important factor when choosing to use an installment plan. No late fees was the second-most important criterion, cited by 17%. Late fees are the catch with many of these solutions, though.

Layaway programs are often popular during the holidays and have long been a staple for retailers like [Walmart](#) and [Kmart](#). Most are focused on in-store purchases, but some allow online or mobile payments.

[GameStop](#) got a jump-start this year and launched its layaway program on August 31.

It's to be seen how installment plans, digital or physical, will affect the 2018 holiday shopping season. In a [Deloitte](#) survey conducted in

September 2017, 13% of US internet users said they planned to use free layaway while holiday shopping.