



## Learn About The Benefits of Buy Now, Pay Later for Smartphones

### Description

Smartphones have become an essential staple in daily life and, no one imagines a life without a smartphone.

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However, the cost of premium mobile phones has reached \$1000 and, the average smartphone costs you \$350. Therefore, it makes it difficult for most young people to pay a lump sum amount at once.

According to IBM's U.S. Retail Index, due to the Covid-19 pandemic, eCommerce has grown up to 20%. Big companies are incentivizing customers to spend more on their products by offering a new payment method that is "Buy now, pay later" (BNPL).

BNPL is a growing trend, and many giant payment companies like Afterpay, Affirm, Klarna, QuadPay, Sezzle, Splitit, and PayPal credit are leading their platform for BNPL service.

## What is BNPL?

BNPL is the method of payment where you need to pay a portion of the purchase price as a down payment usually, 25%, and the remaining amount is divided into three more installments without paying any interest. So in total, you have to pay four installments.

When you scroll through any eCommerce store like CVS, Revolve, Nike, Levi's, Urban Outfitters, Expedia, you see a pop-up message at checkout where you have given an option of BNPL with a very low or no interest rate. BNPL is a perfect payment method for young people with no credit history or a low credit score.

People aged 24 – 44 buy the smartphone most and, the BNPL method is gaining popularity amongst them. According to Management consultancy Kearney, 33% of Americans and 67% of **Britons** used the BNPL payment method to purchase things online. Respondents said they used BNPL to buy the following items.

- Electronics 43.65 %
- Clothing or fashion items 36.95%
- Furniture or appliances 32.81 %
- Household essentials 30.96 %
- Groceries 22.54 %

Now, you will be thinking, if there is no interest involved in the installment plan, then why are eCommerce companies offering this payment method, and why payment gateways are offering their service to use their platform. But, first, let's reveal the benefit of using BNPL for both customers and retailers.

### Benefits for Retailer

Artificial intelligence and machine learning have made it possible to analyze purchase habits, purchasing power based on previous purchases, searched products, and online browsing habits. Technology advancement has declined the risk of fraud and defaults because they can understand the customer credit profile. BNPL leads the future of shopping with an authentic loop of data and transactions. Ecommerce stores provide BNPL because they get the following benefits.

- **Increased Sales Volume.**

Customers find it convenient to pay in installments when they are tight on budget. It is a great relief for them not to pay any interest on late payments. So if they want to buy high-value goods, they spend fearlessly in 4 installments. Some Payment providing companies share their data that shows an upward trend of sales volume after enabling BNPL.

- GymShark. 33%
- QuadPay 60%

According to CNBC, 48% of shoppers' said\_\_ "We have spent 10% -20% more due to the BNPL option." Forbes report says that number was as high as 40%.

- **No Need to Offer a discount to boost sales**

BNPL has an excellent retention rate regarding its sellers. And those sellers may not feel as if they have to offer sales or discounts as clients are ready to pay extra if they're given the option to pay late in installments. Thus, it is a technique to guarantee profits without using the sales tactics such as discounting.

- **BNPL Attract New Customers**

The "Buy and pay later" option provides relief to those customers who are tight on budget. According to a Lifestyle brand Blackpool, enabling the BNPL increases their sales up to 600%. In addition, many customers who thought their premium products were out of their purchasing power also bought the high-end products in installments because they knew they did not have to pay interest on late payments.

- **BNPL bring Repeat Purchases**

The convenience, flexibility, and transparency of the Buy now, pay later feature increase loyalty, and more people come back to purchase more items. In addition, zip partner merchants report the BNPL increases the repeat purchase rate up to 80%.

### **Benefits for Customers**

BNPL is easy to use, flexible, and interest-free payment method. And young shoppers appreciate it because they want to be debt-free.

Speaking of revolution, today's consumers demand convenience s their priority.

Credit cards have terms that are confusing and difficult to recognize, with surprise fees and interest rates that make shoppers hesitant to use. On the other hand, BNPL is transparent. As it offers the convenience to pay the total amount in four installments without interest that customers demand.

Customers own a product before they make full payment.

Some stores offer to return the product if they don't like it after the first installment and get a refund.

Sign-up is very easy and demands no security or credit score. You need to download an app and fill out the form with your full name, email address, phone number, date of birth, in some cases, social security number, and billing address. In addition, users of the App need to provide valid debit or credit card info for payments.

BNPL provides the ability to monitor and manage spending to shoppers.

### **Drawbacks of using BNPL**

There are also some negative impacts you may face while using the BNPL method. Whenever a customer fails to pay in time or gets the default, he may get banned for future purchases. Late payments can affect your credit scores as well. Some BNPL service providers do not provide you with

complete information when signing up, and you may have to face any surprising fee later.

### **Scope of BNPL**

In the United States, the volume of BNPL payments will touch \$100B in 2021 that is 4.3 more from 2020. BNPL merchant fees are relatively impervious, but retailers pay between 3% and 8% of the transaction value.

Moreover, only dividing the payment into four installments is not enough incentive for a visitor to turn into a buyer. Buyers demand tracking packages, wish lists, price-drop notifications, and try-before-you-buy features as well.

### **Category**

1. Lifestyle

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