



How Retailers Can Weather an Economic Storm with Better BNPL Options



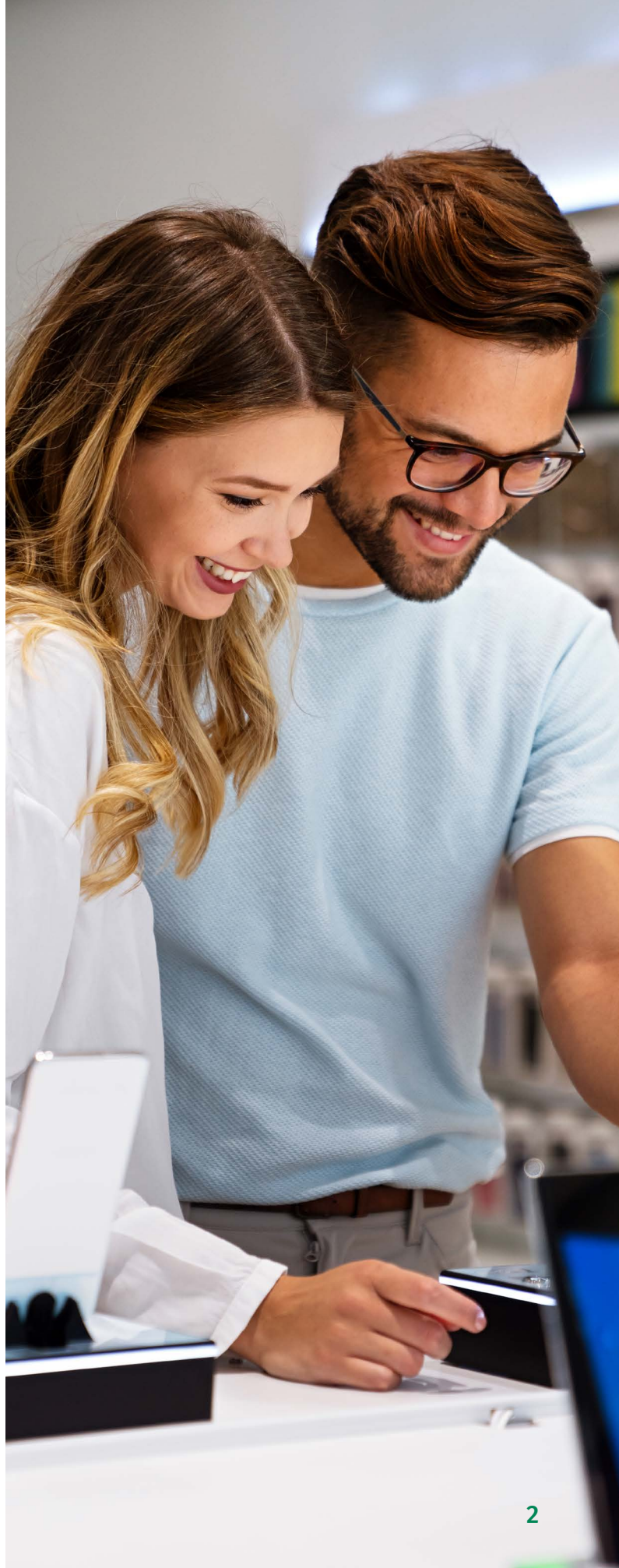
Buy now pay later financing had auspicious beginnings in the United States. This included an industry **growth** of 230% from January 2020 through July 2021, thanks to the global pandemic and growing need for households to split costs over time.

+230% **BNPL
INDUSTRY
GROWTH**

In fact, BNPL made up **2.4%** of all online retail purchases and **47%** of all **users** are purchasing electronics with BNPL.

But as they say, that was then, and this is now. Fast forward to 2022, when rising inflation is causing consumers to reconsider their spending choices. As inflation goes up, the value of the consumer dollar goes down, and households are often forced to reign in their expenses. This is particularly true with regard to discretionary spending and the costlier products people are more likely to purchase with BNPL financing.

In fact, concerns about money have been growing steadily since mid-2021. **One Deloitte survey** of consumers found that as COVID-19 infection cases recede, personal finance concerns are rising, which makes sense as the personal savings rate is also now below pre-pandemic levels. All of this comes as worries about credit card debt have been rising steadily since the middle of last year.



This overall economic turmoil has made its way into the BNPL world. In almost all demographic groups, monthly BNPL [usage is lower](#) now than it was a year ago, even though the share of consumers using BNPL to fund a purchase in the past month [hasn't dipped](#) below 16% at any time this year.

Despite uncertainty, there is hope. Retailers that can leverage innovative BNPL technology not only will weather the shifting economy but are also more likely to come out stronger and more resilient — with more loyal customers — on the other side.

“What’s constant in terms of consumer behavior is the need for responsible borrowing, and to have a more predictable way to buy things. This is particularly true of things that might be slightly over budget, or for bigger-ticket items” says Gaurav Sethi, Chief Product & Strategy Officer at [Citizens Pay](#), Citizens Bank’s BNPL product.

“Then, when you look at the environmental side of things, with the pandemic and today’s economic uncertainty, people are warier of their own personal financial situation and what they can afford to buy. Buy now pay later payment options enable them to still make those bigger purchases, but in a more responsible way. Because of that, it’s a tool that should be in any retailer’s tool kit.”

Some versions of BNPL have been around for years — and consumers may be coming down off the initial high that the installment payment plan system provided at the start — but there is still ample opportunity for retailers to make big gains with minimal output and stress by implementing this payment option for consumers.



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The secret lies in broadening their scope and using the buy now pay later financing tool for all its worth. Finding the right BNPL partner service — one that focuses on retailers’ needs, helps draw customers back for repeat purchases and spans the breadth of consumer demands these days — can help.



Addressing Areas of Concern

Retailers have a lot to contend with these days. Sluggish supply chains, issues with workforce, a potential recession and rising inflation are just the tip of the iceberg. So it's not surprising that the idea of diving headfirst into a new technology — and all that entails — might give them pause at this particular point in time. **The truth, though, is that without forward thinking, retailers are just moving backward.** Business is fast-paced, even when the economy slows, and the best leaders should always be thinking ahead. A good place to start is by addressing the major areas of concern that might be keeping retailers from adopting BNPL financing in the first place.

Shifting Focus: The Dangers of Reactive Thinking

Lack of consumer loyalty, among other things, has caused merchants to be more reactive, putting a greater focus on driving immediate results and revenue rather than being proactive and focusing on long-term thinking and goals. This tunnel vision can be detrimental. For most businesses, a more worthwhile main goal should instead be building customer loyalty. They can do this by concentrating on engaged relationships where they're solving for multiple consumer needs, and creating more lifetime value for their customers overall.

BNPL offers a strategic way for retailers to do all of the above because it allows them to think outside the box, as well as to draw on what they already know about their consumer base. In other words, it can be used as a low-cost way to attract consumers and leave them wanting to come back for more. One good example of this is when Citizens Pay teamed up with Apple to create the BNPL

iPhone Upgrade Program. With the offering in place, the benefits were twofold. For customers, the ability to upgrade their phones every year to the latest device — but for the same monthly payment — was enticing. On the business side, retailers were able not only to shrink their upgrade cycle by a year or two, but provide their loyal customers with something they knew they would enjoy — an upgraded product — thereby growing their trust and loyalty.

Repositioning a Lack of Growth Mindset

Only a minority of merchants believe they have the expertise, resources and commitment to pursue new growth successfully, and their risk-aversion may be one of the biggest barriers preventing them from buying into new tools and solutions like BNPL. “One important thing on retailers’ minds is ease of implementation. That’s typically the first thing someone tries to wrap their head around,” Sethi says. “It’s about how easy or difficult a certain financing solution is going to be for the retailer. The more complicated, the more time, effort and investment that it takes to implement it, the less likely they are to want to do it.”

While that makes sense, the right BNPL solution actually solves this problem from both the retailer and consumer perspectives. BNPL through Citizens Pay, for example, allows for instant or near-instant payments and availability on all digital devices, aiming to make it a net-positive customer experience. On the business side, an omni-channel tool that plugs directly into a retailer’s current systems makes it as easy as possible for salespeople to understand and use. This allows them to get back out onto the sales floor to do more selling — better for them, and better for overall business.



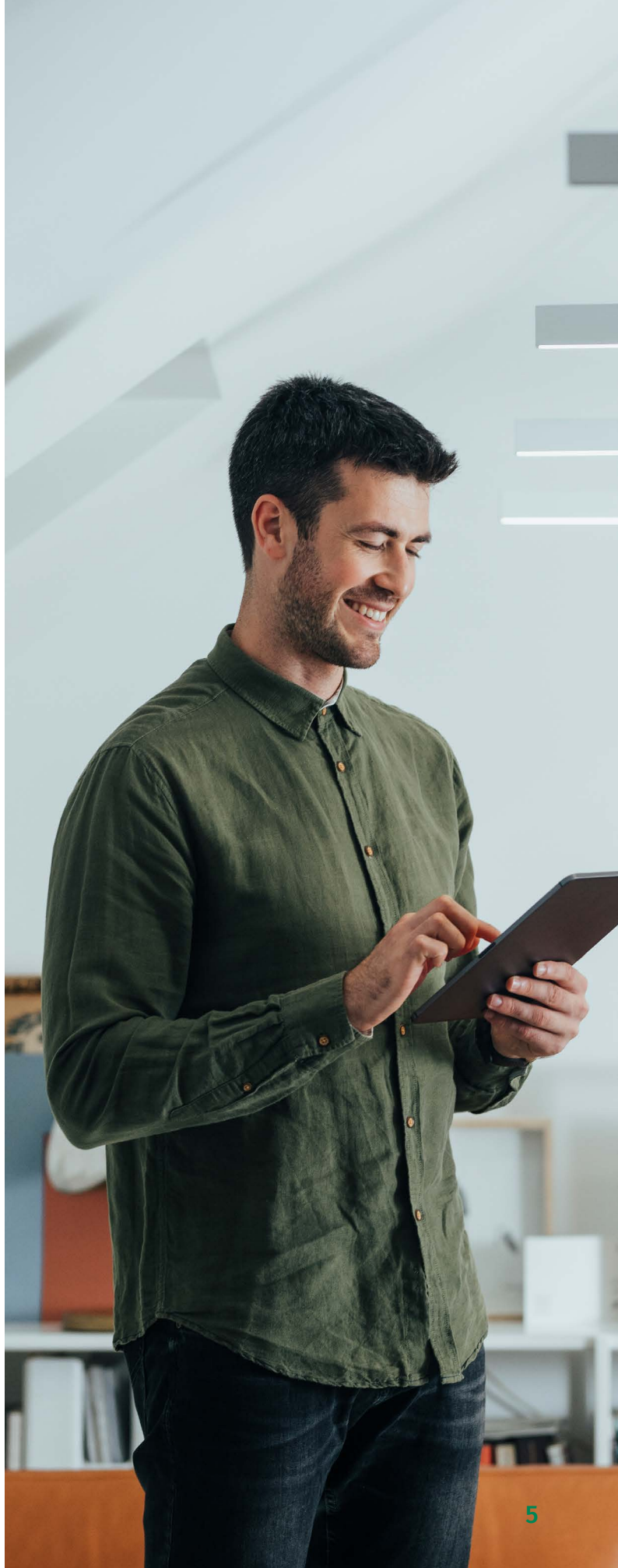
“What we’ve done at Citizens Pay is take the same principle of ease that comes from a digital experience and apply it in-store,” Sethi says. “Whether it’s on the merchant’s device or the consumer’s, applying the same buying concept electronically with little to no assistance from a salesperson is our main goal.”

Reimagining the Right BNPL partner

Retailers may see banks as less risky and more trustworthy, but they may also be more likely to choose fintech BNPL products because they’re seen as more nimble and technologically capable. **But that’s not always the case.** For example, “our BNPL product is not a plug-and-play model,” Sethi says. “We’re able to customize our BNPL solution quite a bit. In fact, flexibility and seamless integration are cornerstones of what we offer.”

Beyond that, banks are also more uniquely positioned to better handle new [BNPL credit reporting requirements](#) and/or [increased federal regulation](#) that may be coming down the pipeline. “Credit bureaus play an important role in the overall lending ecosystem, and when loans aren’t being reported to the bureaus — like they usually aren’t with fintech BNPL products — that’s problematic for both the consumer and retailers,” he says. “The more transparency there is around all of the lending that is being taken on by any consumer, the more judicious you can be, both as a lender and a consumer. Banks can offer that.”

As far as costs go, BNPL companies that are associated with banks have a leg up. Because banks have their own deposit base, and they keep balances on their own balance sheets, they often have a lot more control over certain fees than fintechs do. This means they can minimize what costs get passed on to retailers in most cases. That decrease in volatility can really help retailers, particularly in periods of economic uncertainty.



BNPL as a Fix for Consumer and Retail Pain Points

Making the most out of BNPL helps retailers address the needs of their target consumer, sometimes even before the consumer knows what they are. For example, the best BNPL payment system creates the optimal purchasing experience for the customer in the following areas:

Speed of Purchase: As opposed to traditional lending options, the best BNPL partners offer customers a way to spread out their payments over time, but without the need for separate applications (and potential application fees) and additional processing time. It essentially works as an open line of credit that's easy for consumers to get, and therefore makes repeat purchasing more likely.

Clearer Terms: The best BNPL partners take steps to ensure responsible lending by providing customers with as much upfront information as possible about the payment process and any additional fees. This takes a lot of the guesswork out of these payment options.

30% 

of BNPL users [say](#) they trust BNPL providers more than credit card companies when it comes to fair business practices.



Transparency: Imagine a world where consumers know exactly how much they owe to a lender each month, before they even buy the product. This is one key area where BNPL options really shine. “It’s one thing to say, ‘Is it clear that this is a 9% loan?’” Sethi says. “But the even better option is to say, ‘This is going to cost you \$17 per month,’ because that’s how consumers think. They understand what 9% is, of course, but what’s clearer is, ‘I know I can afford \$17 a month, and this product is actually worth \$17 a month to me.’ In my experience, simplicity and transparency of payment amount is crucial for consumers.” Sethi says.

Reputation: Banks that offer BNPL also come with the additional experience of having years of data throughout multiple economic cycles. This includes a deep understanding of consumer spending, a better ability to calculate the consumer’s likelihood to pay, and the proven ability to do their due diligence when it comes to protecting consumers from unintended debt. “All of that is inclusive in an environment where we’re also well-regulated by the government, whereas fintechs just aren’t regulated in the same way,” Sethi says. What that really boils down to is an additional layer of protection and expertise with banks that comes from working through many years of economic downturns that newer fintechs simply can’t offer.

Finding the Right BNPL Partner

Not all BNPL partners are built the same. Those that don't adapt their offerings to reflect the current economic climate and consumer needs won't succeed. Folding BNPL into your payments systems will likely grow your business if you look for one that offers the right benefits.

Building Customer Loyalty: At the most basic level, a BNPL system should help the retailer build brand loyalty and not only make the sale by softening the blow of a large expense, but also spur that same customer to return for even more sales.

When Citizens Pay created the Microsoft Xbox All Access Program, they tapped into what users wanted most — to play more of the games they loved without paying more for that service. “It wasn't just about saying, ‘How do I sell more Xboxes?’” Sethi says. “Selling more is great, of course, but what we understood was that loyal customers would also have an interest in buying monthly game passes and playing more games on the same device on their platform. So bundling those two together to provide more value allowed it to be cheaper for the consumer, while the retailer increased loyalty and created customers who were more likely to stay for longer and buy different features and even more products.”

Understanding the Unique Needs of the Retailer: Like customers, no retailer wants to feel like they're one of many when they're deciding on new opportunities to implement within their businesses. Different retailers have different needs, and BNPL providers that recognize and work within those parameters will make the best partners.

“What we do well is partnering with a few strategic retailers so that we can invest our time from a consultative, marketing and sales standpoint,” Sethi says. “For example, we aim to make our implementation as easy as possible, but if we do need to go and train folks in person, we also have the capacity and expertise to do that.”

Helping Retailers Stay Competitive: By providing your customers with an easier way to pay for products they might not otherwise be able to afford upfront, along with offering a variety of the best BNPL programs that make upgrades and different feature configurations possible, BNPL allows retailers to stay foremost in consumers' minds. This is especially helpful in retail industries like electronics, where upgrades every few years might be helpful or even necessary. That could be why buying electronics is one of the most common uses of buy now pay later financing, with 47% of users from [one survey](#) saying they've used it specifically for that reason.



Conclusion

There's no magic cure for keeping customers loyal during a period of economic downturn or rising inflation, but the proper use of technology like BNPL can certainly help. Not only does it provide consumers with an easier way to make larger purchases when their money holds less value, but when the economy gets stronger — as it always does — retailers who have already perfected their BNPL systems will be ahead of the game.

"If you think about loyalty, and how do you generate long-term relationships, then thinking about product as a solution goes along with that," Sethi says. "For most businesses thinking about the long haul, they want to build customer loyalty, and it's never about the one-and-done purchase. At the end of the day, that's one of the best things that BNPL provides — building on that engaged relationship and solving for multiple needs."

Citizens Pay

Nationwide customers	8M+
Total Financed Volume to Date	\$10B+

To learn more about Citizens Pay's modern POS financing solution visit [our website to contact a representative](#).

