



Pay-over-time pays off

Why it's **good for business**
that customers are choosing
buy now, pay later more
than ever before

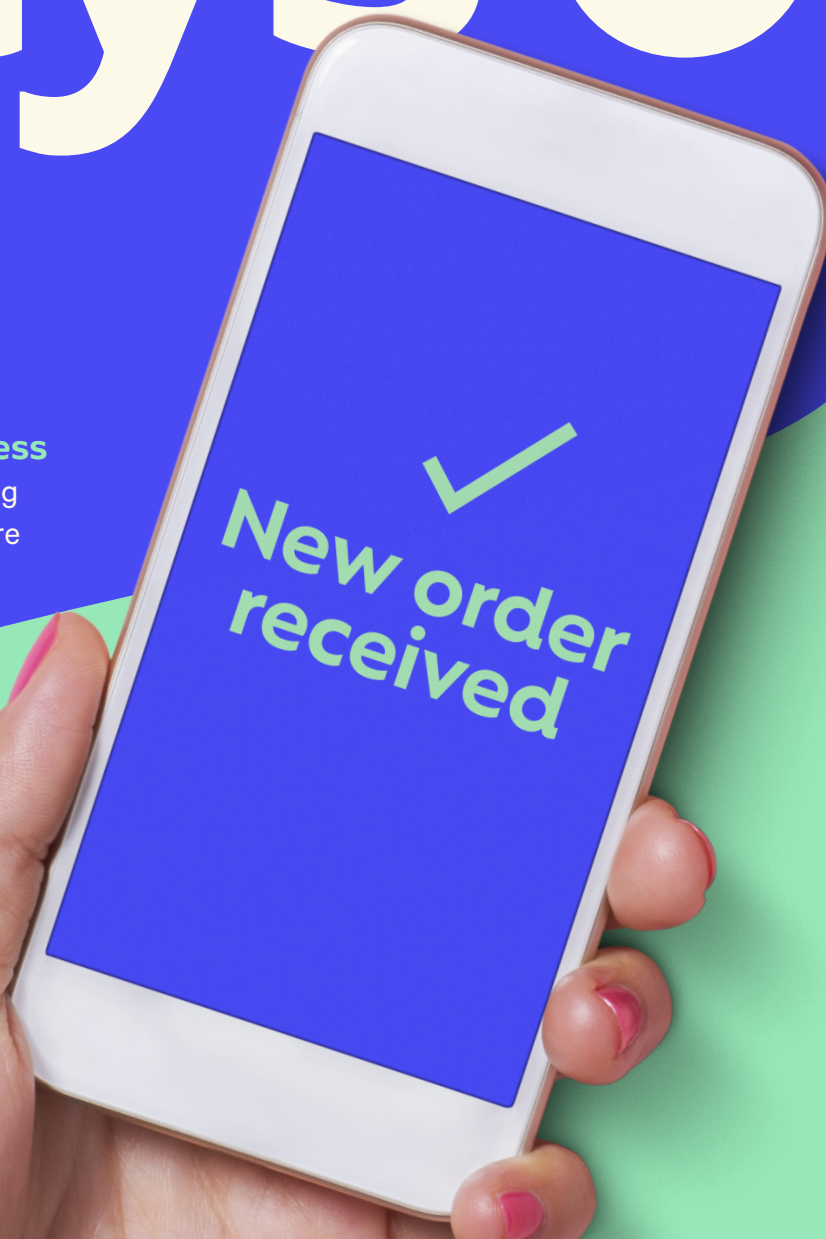


Table of contents

5—Introduction

Buy now, pay later is here to stay

9—Opportunity 1

Build brand loyalty

when you give customers a transparent and trustworthy alternative to credit cards

15—Opportunity 2

Increase sales

when you offer shoppers the freedom to buy what they need when they need it

19—Opportunity 3

Make your business more resilient

when you give customers the flexibility to fit any item into their budget

23—Getting started

What you should look for in a pay-over-time solution

Introduction

Buy now, pay later is here to stay

Pay-over-time solutions are changing the game for retailers.

As one of the fastest-growing payment methods in the e-commerce world, it's clear that customers love using buy now, pay later (BNPL). From July 2020 to March 2021, we've seen a 48% increase in shoppers using this way to pay, with demand showing no signs of slowing down in the coming years.¹

Shoppers who use BNPL at checkout span every age range. Millennials and Gen X have been a core audience for years, and their use continues to be high. But we're also seeing huge growth in younger and older audiences—groups that had traditionally lagged behind millennials and Gen X in pay-over-time adoption.

Between July 2020 and March 2021,
we've seen BNPL use grow:²

62%

AMONG THE 18-24 AGE GROUP

98%

AMONG THE 55+ AGE GROUP



Most importantly, we're not just seeing increases in usage—we're also seeing high levels of interest from newbies. Among people who have never used a BNPL option, over half (53%) say they're at least somewhat likely to use it in the next six months.³

All together, these numbers paint a clear picture: Buy now, pay later will be a major player in the world of commerce for years to come. And with this growth in use and popularity, you could really miss out if you don't offer a pay-over-time option to your customers.

The good news? It's simple to get started, and there are many ways that a pay-over-time solution can benefit your business. Let's take a closer look at why shoppers are using BNPL more than ever before—and how you can use this shift in consumer behavior to your advantage.

53%

OF SHOPPERS SAY THEY'RE AT LEAST
SOMEWHAT LIKELY TO TRY
BNPL IN THE NEXT SIX MONTHS



In 2020, BNPL accounted for \$24 billion in U.S. spending⁴

Double-digit BNPL growth is expected through 2024⁵

Experts predict the BNPL market will process \$650 billion–\$1 trillion worth of transactions a year by 2025⁶



Opportunity 1

Build brand loyalty when you give customers a transparent and trustworthy alternative to credit cards

After years of enduring deferred interest and hidden fees, shoppers are eager to find a better alternative to credit cards—and they're finding a perfect match in BNPL options. 😍

So what's the difference between credit cards and pay-over-time services? One of the most important distinctions is that BNPL options offer simpler terms, often with low or no interest. "It's better than a credit card because it's interest-free" was

one of the top three reasons why people chose to use BNPL, according to a Shopify survey.⁷ Research from The Ascent study found that 37% of shoppers chose BNPL to avoid paying credit card interest.⁸

"It's better than a credit card because it's interest-free."

People who use BNPL cited these reasons for why they use it:⁹

To avoid paying credit card interest (37%) 🙌

To borrow money without a credit check (25%) 💖

Because they don't like credit cards (19%) 🙅

Because they aren't approved for a credit card (14%) 🙄

Because they don't have bank accounts (7%) 💰

Everything you offer customers reflects back on your business, and payment options are no different.

Shoppers searching for an alternative to traditional credit and lending services value transparency and simplicity above all else. When you offer a pay-over-time option at checkout, it signals that your business cares enough to give them payment options that meet them where they are and offer more flexibility to fit their budgets. And when customers feel valued and respected, they return the favor.

Did you know?

Affirm's customer approval rating is

20%

HIGHER THAN OUR COMPETITORS¹⁰

Take Kristin Coffin Jewelry, for example. 💎

The majority of their customers are looking to buy a ring for an engagement and have major life expenses, like a wedding or a honeymoon, on the horizon. Founder and owner Kristin Coffin recognized the value of offering a flexible, no-stress payment option for her customers but couldn't take on the financial risk of layaway.

A pay-over-time solution like Affirm was the perfect match: It provides the transparency and flexibility her customers need without posing a financial risk to her business. Plus, the customer experience was exactly what she wanted to provide—Affirm checks customer eligibility without affecting their credit scores and lays out their monthly payments clearly before purchase.

"Not putting our clients in a compromising financial situation was extremely important in our decision to go with Affirm."

Kristin Coffin

Founder and owner of Kristin Coffin Jewelry¹¹

The solution has been great for her customers and great for business. Shoppers can buy the ring of their dreams without negative impacts from a credit check or high-interest debt. And her business gets paid right away, even though customers are paying over time. Kristin Coffin Jewelry received its first sale with Affirm the day after integration and saw a 16% increase in average order value (AOV) over time.¹²

Affirm also promises no late or hidden fees. Consumers love to pay over time, but they hate late fees: Nearly nearly 3 in 4 respondents (74%) said there's nothing worse than getting a late fee when paying a bill.¹³

Eliminating late fees is an important part of earning consumers' trust and improving their experience, especially for those who want to avoid traditional lending services. Shoppers who are smart and responsible—the kind you want to attract and retain—want to know exactly what to expect. A clear no-late-fees policy gives them just that.

Did you know?

Affirm is the only pay-over-time provider that has never charged late fees.



"The no-late-fees policy demonstrates empathy—'life happens, and we're not going to ding you for it.' I love that about Affirm."

Gregg Dean

Co-founder and CEO of Layla Sleep¹⁴



Opportunity 2

Increase sales when
you offer shoppers
the freedom to buy
what they need when
they need it

Savvy consumers are using buy now, pay later as a tool to buy what they need in a financially responsible way. 🛍️

A cool thing happens when merchants offer a pay-over-time solution: They see an increase in average order value. Why? Because many financially responsible people want more options for how they pay, but they feel limited by some traditional methods.

Pay-over-time options give shoppers the freedom to manage their cash flow and finances in the way that works best for them. As a result, businesses see significantly

less drop-off at checkout when they offer a service like Affirm. Nearly 3 in 4 customers (74%) report that they would have abandoned their carts if Affirm was not at checkout.¹⁵

Retailers see an average

85%

INCREASE IN AVERAGE
ORDER VALUE THROUGH SALES
MADE WITH AFFIRM

If Affirm was not at checkout:¹⁶

45%

OF CUSTOMERS WOULD HAVE
DELAYED THEIR PURCHASE

29%

OF CUSTOMERS WOULD NOT
HAVE COMPLETED THE PURCHASE

Even more importantly, BNPL removes price as a barrier—enabling people to buy more of what they love or invest in higher-quality, big-ticket items.

"With Affirm, our price point is less of a barrier for parents who really want to purchase a Bugaboo stroller in a very low-risk way."

Arielle Heyman

Head of Digital for Bugaboo North America¹⁷

Bugaboo, for example, has seen success in reaching more customers by offering Affirm. It found that the average order value when shoppers chose Affirm was 260% higher than orders without Affirm, and it can now reach middle-income millennial parents more than ever before. As time goes on, orders with Affirm continue to rise: Sales during Q1 2021 were 21% higher than in previous quarters.

Bugaboo saw a

260%

HIGHER AVERAGE ORDER VALUE
WHEN SHOPPERS USED AFFIRM¹⁸

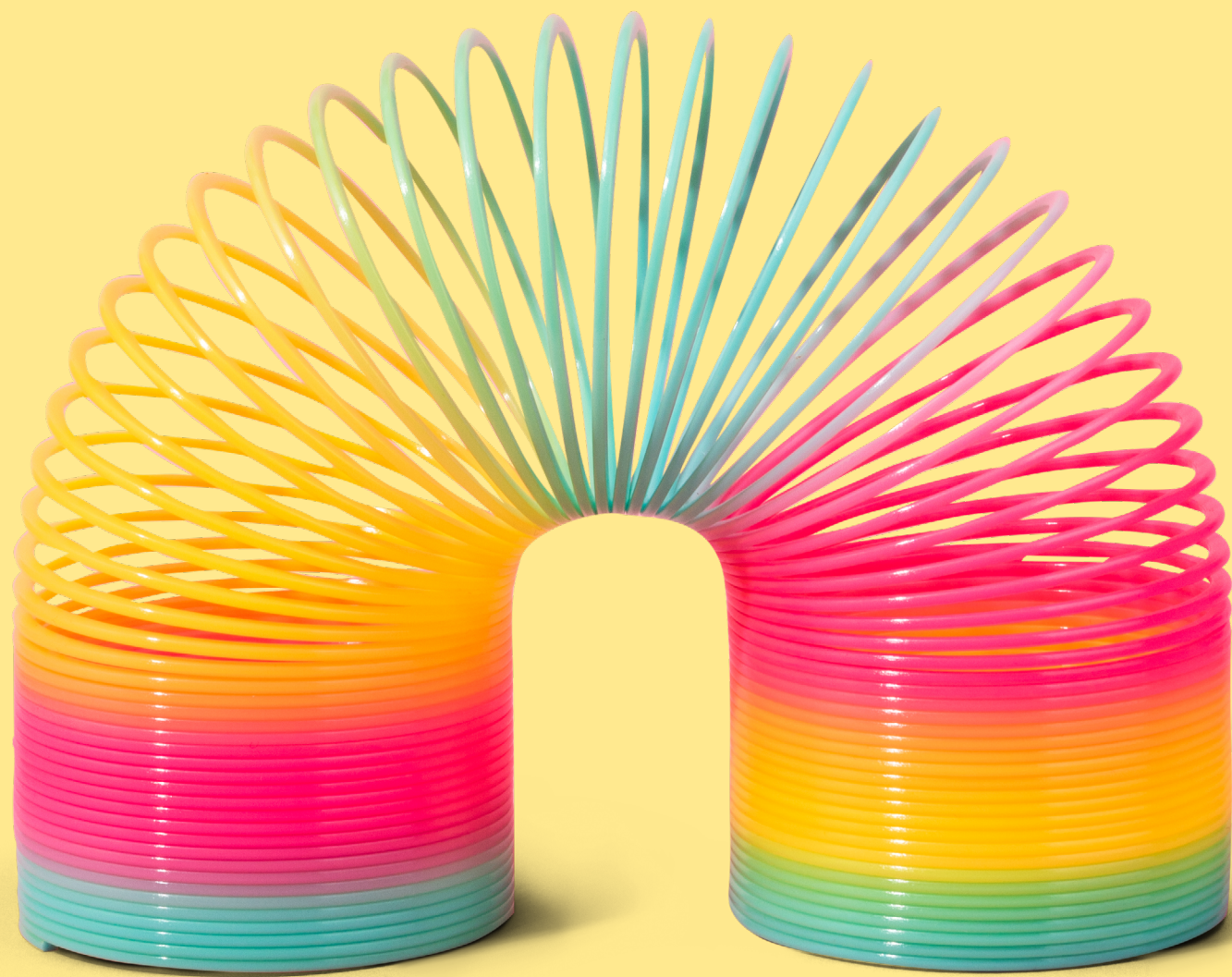
When people are empowered to spend their money on what they find valuable, they walk away from the experience confident in their purchase and happier overall. This means they're much less likely to return their purchase—and more likely to be a returning customer.

"Having Affirm on our website has made our higher-end strollers, like the Fox and Donkey, easier and more attainable to purchase with the option of a purchase plan."

Arielle Heyman

Head of Digital for Bugaboo North America¹⁹





Opportunity 3

Make your business more resilient when you give customers the flexibility to fit any item into their budget

In uncertain times, customers want breathing room and businesses want certainty. Buy now, pay later can provide both. 🙌

More and more, people are flocking to flexible ways of working, living, and spending. BNPL is the perfect fit for shoppers who are looking for personalized payment options that allow them to extend their spending power. When shoppers get more choices at checkout, businesses see higher sales more often. Offering flexible ways to pay is in everyone's best interest.

In 2020, nearly half (45%) of all U.S. consumers used a BNPL provider to make a purchase.²⁰

Paying over time has helped people stretch their spending power and provided some stability during uncertain times. And all signs point to BNPL options becoming a bigger part of shoppers' lives. Three out of 4 people who made their first pay-over-time purchase during the pandemic say they'll continue making similar purchases after it's over.²¹ The flexibility and stability BNPL provides are valuable to consumers, no matter what the circumstances.

The message is loud and clear: Shoppers aren't necessarily looking for discounts; they're looking for flexibility and security.

If there’s a simple, convenient way to pay full price, they will. This means you can sell more with a pay-over-time solution without cutting into your margins by slashing prices. And that can bring stability to your bottom line, too. The income from your pay-over-time sales hits your bank account almost immediately, even if customers take months or years to pay.

Today, more shoppers are making everyday purchases using pay-over-time options. Flexible payments aren’t just for leisure or big-ticket items.

When sock retailer ONDO tried Shop Pay Installments, a pay-over-time solution on Shopify powered by Affirm, there was some skepticism about how well it would work for everyday purchases like socks. But customers loved the option to pay over time, and ONDO has seen cart sizes double for checkouts with Shop Pay Installments.²⁴

The flexibility of buy now, pay later makes this payment method the perfect fit for all sorts of circumstances. It brings peace of

mind to consumers and retailers alike; shoppers have the security and convenience of paying over time, and merchants have the comfort of capturing sales they might otherwise have lost without offering BNPL options. It’s the best of both worlds.

45%

OF U.S. CONSUMERS USED
A BNPL PROVIDER TO MAKE A
PURCHASE IN 2020²²

75%

OF PEOPLE WHO MADE A BNPL
PURCHASE FOR THE FIRST TIME
DURING THE PANDEMIC SAID
THEY’LL CONTINUE TO MAKE
SIMILAR PURCHASES AFTER THE
PANDEMIC IS OVER²³

“Shop Pay Installments has been helping us bring up our average cart size to double that of regular checkouts as more customers are buying larger bundles of our socks.”

Daniel Shim
CEO of ONDO²⁵





Getting started

What you should look for in a pay-over-time solution

#1

With the right BNPL solution, you don't have to offer discounts to entice shoppers to buy. 🖋️

When you offer a pay-over-time solution, you remove price as a barrier. That means you don't need to solely rely on discounts to get customers' attention and motivate them to make purchases.

Some shoppers will buy more at a time because they have a pay-over-time option that meets them where they are with the flexibility they need. What's more, savvy shoppers perceive a no-interest payment plan as similar to a discount, even though they are paying full price for the item at hand.

With the right BNPL solution for your business and your customers, you won't have to cut into your profits to dramatically increase your average order value.

Did you know?

Our partners see an average

85%

**INCREASE IN
AVERAGE ORDER VALUE**

That's because when shoppers have a smart, flexible way to pay for the things they want, they often discover they can afford more while staying in their budget.

#2

Offering your customers the right pay-over-time option will actually reduce friction at checkout.

Some retailers worry that a buy now, pay later service could add extra steps at checkout and increase customer drop-off. In fact, it's typically the opposite; offering a pay-over-time option reduces the number of shoppers who abandon their cart and increases conversions. If Affirm wasn't at checkout, 45% of customers would have delayed their purchase and 29% of customers would not have completed the purchase.²⁶

#3

A robust BNPL solution should give you access to increasingly large, built-in networks of shoppers to tap into, so you can expand your reach without cutting into your marketing budget.

There are multiple ways to reach customers by offering a buy now, pay later option. Most BNPL providers have an active audience that you can tap into—the Affirm app alone provides access to 6.2 million shoppers who are highly engaged. In addition, many retailers find that promoting the fact that a BNPL option is available at checkout is effective all on its own. This gives previous customers a good reason to return, and it can motivate new customers to place their first order.

#4

You should see revenues soon after making a sale—even if customers take months or years to pay.

Because most buy now, pay later providers compensate merchants almost immediately, the increased revenues can follow soon thereafter. The financial risk is carried by your pay-over-time partner, so you can stay focused on growing your business and taking care of customers without worrying about exposure to fraud or financial liability.

#5

The right pay-over-time solution will make it easy to integrate with most major e-commerce platforms (even if you're not tech-savvy).

Adding a buy now, pay later solution can sometimes be a matter of clicks. There's no specialized knowledge or dedicated dev team required—especially if your BNPL provider has an integration with your e-commerce platform. For example, Affirm has a built-in integration with Shopify, so any eligible merchant who works with them can get set up in just a few clicks. Check with your e-commerce platform to see what BNPL arrangements they support.

Did you know?

Our small and midsize merchants have access to the same technology and integration tools that we provide to our biggest customers, including Amazon, Walmart, and Target.

#6

The pay-over-time service you work with, like any partner, will reflect your brand's values.

If a customer has a bad experience with your buy now, pay later provider, they may associate it with you. This is why it's really important to make sure you find out their policies on late fees, interest payments, and hidden fees. The fewer surprises, the better.

Did you know?

Shoppers' top turnoffs: Late fees. Hidden fees. Interest fees. Poor customer service.

**Ready to see the
business benefits
of offering
buy now, pay later
at checkout?**

It's easy to get started.

Visit affirm.com/business to learn how
Affirm can help your business grow.

**Affirm is modernizing
consumer credit and changing
the way people shop.**

We enable customers to buy what they want today and pay in simple monthly installments—boosting conversion rate and average order value (AOV). Our quick and transparent financing options (no hidden fees, no compounding interest) improve customer satisfaction and drive repeat purchasing. Affirm also enables retailers to expand their consumer reach: Our advanced underwriting is designed to serve those overlooked by the traditional credit system. With a lightning-fast, mobile-first UI, we're built to seamlessly integrate with your checkout flow and make purchasing quicker, simpler, and more consumer-friendly. Learn how Affirm can boost your sales at affirm.com/business.

**Payment options through Affirm
are subject to eligibility and
provided by these lending partners:**
affirm.com/lenders.

1-3	The Ascent, <u>Study: Buy Now, Pay Later Services Continue Explosive Growth</u> , March 22, 2021
4-6	Affirm, <u>The future of buy now, pay later</u> , April 15, 2021
7	Shopify, <u>Future of Commerce</u> , 2021
8-9	The Ascent, <u>Study: Buy Now, Pay Later Services Continue Explosive Growth</u> , March 22, 2021
10	Affirm Holdings, Inc., <u>Form S-1</u> , November 18, 2020
11-12	Affirm, <u>More couples say 'I do' with custom rings from Kristin Coffin</u> , March 20, 2020
13	Affirm, <u>Why shoppers love pay-over-time and hate late fees</u> , April 9, 2021
14	Affirm, <u>'A little more joy': How Layla is driving sales in the crisis</u> , July 28, 2020
15-16	Affirm, <u>Put your customers first with a wide range of payment options</u> , July 6, 2021
17-19	Affirm, <u>Affirm and Bugaboo make luxury strollers attainable for more parents</u> , May 6, 2021
20-23	Affirm, <u>The future of buy now, pay later</u> , April 15, 2021
24-25	Shopify Blog, <u>How Ondo's Customers Using Shop Pay Installments Are Spending 2x More Than Regular Customers</u> , May 24, 2021
26	Affirm, <u>Put your customers first with a wide range of payment options</u> , July 6, 2021

