

Buy Now, Pay Later is Making it into Retail Stores in a Big Way

Everyone loves the idea of getting new stuff, but less so the idea of paying all that money for said stuff. For the longest time, it has been the same thing in every store for every purchase: pay now to get the thing. However, something new has been starting to make its way onto the retail scene: buy now, pay later. This has been around to some degree for a while in the form of things like layaway programs, but the newer, better version has made its presence known in a big way in the online and physical retail worlds. Research is showing that this will become one of the main methods of payment in the near future, with every generation getting in on the action.

Today, we will be covering what exactly “buy now, pay later” (BNPL) is, how it works, why it is important for business owners to know about, and some of the big names of providers that have made it such a phenomenon.

What is it?

We will start from the top: what is the idea of “buy now, pay later” all about? This concept, at its simplest, is a short-term financing option where a customer picks out the item they want, gives the store their credit card information, and takes the item home after agreeing to pay a set amount (generally four installments, sometimes more) every two weeks. Some stores require a quarter of the cost then and there, some do not. Sounds easy enough to understand, right? Many of these platforms that provide this are also interest-free, making this a great way for consumers to feel safer and less stressed when using them. They are also easier to get approved for than traditional credit cards as well. Normally, BNPL does not affect your credit score, however, late payments or failing to pay can damage your FICO score.

As we mentioned, “buy now, pay later” is sort of like a layaway program, seen in stores for a long time. The big difference? With layaway, you can’t take the item home until you have paid it off in full, no exceptions. With the “buy now, pay later” financing option, a customer can take their item home immediately.

Why should retailers look into this?

While this type of short-term financing has been popular lately for online retailers, it is starting to make an appearance in physical stores, too. As a retail business owner, why is “buy now, pay later” financing important to consider adding to your store? For this one simple reason: a customer who is able to pay in installments is more likely to spend a higher amount of money in your store.

Here is a good example: a customer comes in looking for, let us say, shoes. They find the perfect pair that they had been eyeing for a while, but the price point is just too high. However, they find out that they can pay in smaller increments but still take the shoes home immediately. They are sold on the idea and make the purchase, feeling like they

have accomplished something financially savvy. This is a win-win scenario; they get their dream shoes, and you get your sale!

The amount of money that people are willing to drop in a single shopping trip is going to be less than what they would be willing to dole out over an extended period of time. Investing in a “buy now, pay later” program for your store will help increase sales, making it optimal for your bottom line. You would be able to increase your revenue while building a stronger relationship with new and existing clients by providing a service such as this, one that makes them feel looked after.

Another important thing to note is that every generation has started using this as a financing method: 44% of Gen Z, 37% of Millennials, 23% of Gen X, and even 9.4% of boomers have been using this method in 2022. That is a wide range of clientele that could be yours.

55% of consumers who say they tended to spend more using buy now, pay later than they ordinarily would using other payment methods.

(The Strawhecker Group)

What big names provide this?

Now we get to the real question...what sort of platforms can help you with this for your business? There are several “buy now, pay later” services that you could look into partnering with for your retail business. Let us look at the top six platforms and some of the big names that they support:

- Affirm: This company supports brands such as Nike, Adidas, Peloton, Best Buy, Saks Fifth Avenue, and many more.
- Afterpay: Afterpay works with a variety of retailers like MAC Cosmetics, Anthropologie, Urban Outfitters, etc.
- Four: This platform can be found at stores like Elastique, Fetch Eyewear, Lotuswei, and Hungry Apparel (these are more eclectic and lesser-seen brands).
- Klarna: The Klarna company, like Affirm, can be found at many retailers. Sephora, Calvin Klein, Lululemon, and GameStop are among their clients.
- Sezzle: This company partners with many different retailers like Alani Nutrition, Melt Cosmetics, Bentley, and more.
- Zip: Last but not least, Zip works with brands like Airbnb, Nordstrom, Delta, and many others.
- There are more options out there, but these are definitely the “big 6” in the game.

A good thing to note is that a lot of these “buy now, pay later” platforms also overlap in their services, so you may find that certain stores have a few options to choose from when it comes to which platform you can use. This will generally not change the price for customers, but it gives them a choice in which platform they “trust” the most. Sometimes they may already have a favorite that they use in other stores. Having options always makes customers happier, as well. They feel a bit more in control.

It should be noted, the way these companies are making their money is they're actually taking fees from the merchants - so the retailers are footing the bill. And they're charging somewhere between 4 and 9.5%, which can be a lot higher than what credit cards usually charge, which is between 2 and 4%.

The gist of the story is this: consumers are far more likely to purchase bigger/pricier things that they can pay for with installments. This concept has been around for a while with big items like large appliances but bringing it into everyday retail has been a game-changer for retail business owners. With “buy now, pay later” people are more likely to buy large amounts of goods or higher-priced goods, all because they get the item right away without the hefty upfront cost.

As a retail business owner, partnering with this type of in-store financing platform could be the ticket to boosting your sales. We hope you will take the time to look into adding this fantastic feature to your own store.

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About the Author:

Elias Amash, President of GRIP, is an industry veteran with more than 30 years of experience in global sourcing, manufacturing, distribution, retail merchandising, fulfillment, marketing, technology, and operations. He is a trusted partner to hundreds of retailers and has “leveled up” the industry with GRIP’s undying commitment to offering only the highest levels of service to its customers. Amash has published several books: 8 Skills That Pay Off Forever, The Top 10 Most Important Lessons, The Retail Advantage: How to Win the War with Amazon, Retail Survival: Who Lives, Who Dies and Why, The 50 Most Important Lessons in Life, The Future of Retail, Importing from China: The Good, The Bad, and The Ugly, and 101 Bright Ideas: Winning Tactics to Increase Retail Sales.

About GRIP:

GRIP was incorporated by Charles Amash in 1980 and has grown into one of the nation’s top suppliers of innovative products to the retail industry. Located just south of Grand Rapids, Michigan, GRIP features a 200,000 sq ft state of the art warehouse facility including a 2,000 sq ft product showroom. GRIP carries a product line of over 1,000 specialty tools, tarps, automotive, cargo control, cleaning, LED lighting, magnetics, outdoors, household items, impulse and general merchandise. GRIP has a proven track record of excellence in supplying retail clients with innovative products, timely fulfillment, and world-class customer support. At GRIP, everything is about earning your business...one customer at a time. It’s about building relationships and fostering business partnerships that will last long into the future. Our goal is

to have Customers for Life. The future at GRIP is exciting and we're hoping that you can be a part of it as one of our many Customers for Life.

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