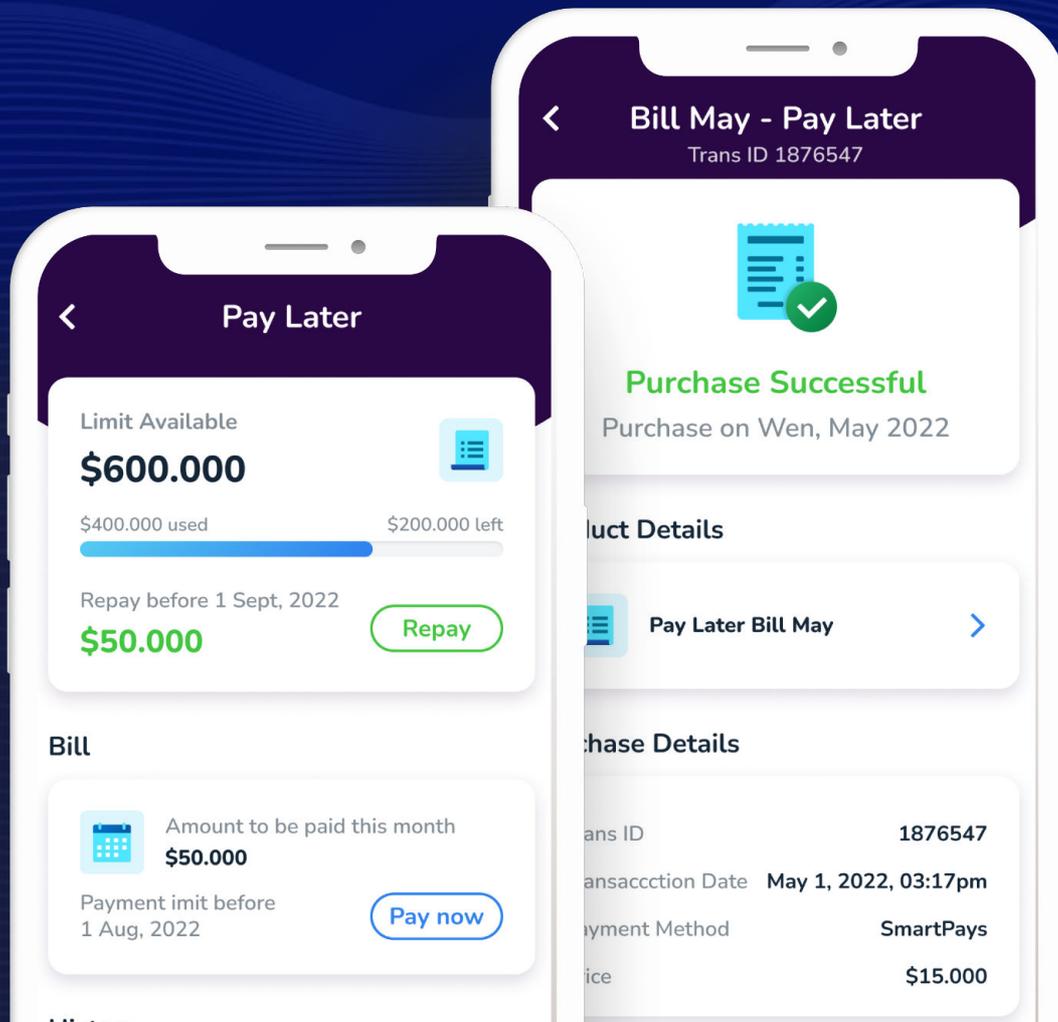


BUY NOW PAY LATER SUPER GUIDE



HOW TO OFFER PAY LATER FINANCING TO CUSTOMERS – THE ULTIMATE BUY NOW PAY LATER GUIDE

Valued at \$90.69 billion in 2020, the pay later market is projected to reach \$3.98 trillion by 2030.

A powershift in the client financing space is underway. PayPal Credit, Apple Pay Later, WeChat's Fen Fu, Alipay, and other trend-setting players started the race as customer finance is moving to the point of sale.

Letting your clients pay for products or services in several installments if they can't afford to foot the bill in one go is an idea that has been around since the invention of money.

Of course, in the good ol' days it was simple – there was just your shop in the village, and you knew every customer. Keeping a ledger of who owes how much and for what was easy when communities were small. But at some point the society came up with credit cards, giving the monopoly over lending to large players like banks.

Up until recently, it was almost impossible to offer buy now pay later consumer credit at the point of sale unless you are a bank or a large alternative lender. The reason being – it used to be too hard to accurately evaluate credit risk and even if you had the capacity for it, underwriting took too long.

Times have changed. Traditional lending out of branches is riding into the sunset and working with credit digitally is swiftly becoming the new norm. And when a conservative space goes digital, the entry barrier into this space gets lower.

Customer expectations and online comfort standards are formed by the Ubers and Amazons of the world. And despite their best efforts, most traditional lenders can't address the current demand for a low-to-zero-interest point-of-sale pay later options. This creates an enormous market gap for affordable, seamless, and secure customer finance.

In the past you needed immense resources and expertise to start and run a lending business. Now technology has made credit more democratic than it has ever been. Any entrepreneur can partner with a lender like Affirm or even have their pay later program automated and running in-house. Which in our, slightly biased, opinion is a lot better.

Pay later for lenders and for product/service providers

If you're reading this, most likely you fall into one of these categories:

01

A finance provider or a payment processor. This kind of business is looking to have their own version of Affirm or Klarna. A project that would let you tap into the booming BNPL consumer lending space, partner with product or service providers, finance their clients and own the customer journey.



02

Product or service provider that wants to implement a pay later program of their own and not to outsource lending profits and benefits (like loyalty, retention, and control) to a third-party lender. You may be a retailer, equipment manufacturer, healthcare provider, renovation contractor, airline, or any other company that sells a product or a service that you would sell more of if people could pay in installments. For you as a business, the question is whether you want to remain in control of your client's journey or want to get repaid for the full product/service instantly by a lender.



Both as a lender and as a provider of goods or services you may be offering B2C and B2B pay later options.

If you're approaching buy now pay later as a lender, you will need to have your margins and loan rates built in a way that you make money on credit. But as a product or service provider offering your own inventory, you're at an advantage since you make money selling the product, not necessarily from credit itself. So if you as a business owner own your pay later program, you can have very liberal terms (0%, easy qualification, grace periods, etc).

That said, finance providers, retailers, manufacturers, service providers - we've researched and written this piece with all you in mind so keep reading.

And to make sure we're on the same page in terms of the benefit BNPL brings a business, here are a few important things you get:



Grow your revenue by making payment in instalment option a powerful and ever-green monetization tool



Capture a share of a booming embedded financing market at the beginning of the wide market adoption



Increase loyalty and long-term value of your clients and leverage your unique transaction data while making it work for you



Establish your role as one of the leaders of the ongoing shift in the marketplace

Pay later for lenders and for product/service providers

Buy now pay later adoption statistics

The market rules remain stable – products and services don't flourish unless the customer generates demand. Buy now pay later has been growing at a staggering rate which serves to prove that this change in the lending space has been long overdue. Consumers cite these as the reasons for why they use BNPL instead of credit cards

It's easier to make payments



There's more flexibility



Lower interest rates



Easy approval process



No need to pay interest



And even if you look at it simplistically, it makes a lot of sense that credit should occur at the point of sale instead of a separate place that has nothing to do with the purchase. Of course, traditional lenders will retain control over large loans with complex calculations. But you don't need Bank of America's underwriting staff to charge a client (automatically) 4 times instead of 1.

Here are the most important BNPL statistics to date that you as a business owner need to be aware of:

- **60%** of consumers say they are likely to use POS financing over the next six to 12 months.
- Affirm is originating upward of **\$1 billion** in loans at the exercise equipment company Peloton annually, with a strong average credit score of the portfolio. **25-30%** of originations in 2021 happened in-store, using applications submitted by staff.
- **57%** of people regret making a purchase through BNPL because the item was too expensive.
- **53%** of respondents who have never used buy now, pay later say they're likely to use it within the next year.
- **71%** of Americans who visit the dentist frequently would use BNPL over traditional payment methods.
- **86%** of pet owners would choose BNPL in place of traditional payment methods to help pay for future vet costs.
- BNPL usage in 2022 by generation gen Z - **44%**, millennials- **37%**, gen X - **23%**, baby boomers - **9.4%**

But it's not all sunny in the buy now pay later kingdom.

Criticism, regulation, response, and ethical lending

And as with any exciting new trend, some people take advantage while others fall into their traps. And this is the situation we're in. BNPL is a relatively unregulated payment method, and now it's being looked at more closely. Some of the recent stats indicate that:

57%

57% of people say they regretted making a purchase through BNPL because the item was too expensive.

31%

31% of buy now, pay later users have made a late payment or incurred a late fee.

36%

36% of BNPL users say they are at least somewhat likely to make a late payment within the next year.

With stats like these popping up, people start to accept that the pay later option is not a silver bullet for getting anything you want at a fraction of a price. You still have to pay and as with any credit – if you have too much of it, it can get out of control.

It is to be said that BNPL can get a bad rep because of occasional predatory lenders who charge savage interest, aren't flexible on terms, approve BNPL requests even when the client isn't able to pay, etc.

There's an active global discussion around the rise of BNPL trend. Many regulators and organizations claim that this kind of credit product can lead to irresponsible consumerism. Which may be a little condescending towards the consumers. Nonetheless, government agencies start to act:

- The Consumer Financial Protection Bureau (CFPB) issued a series of orders to five major BNPL providers to collect information about the risks and benefits of their solution. The CFPB is concerned about the potential for consumers to accumulate debt too quickly.
- Same agency opened an inquiry into BNPL lenders, citing concerns about growing consumer debt and data harvesting.
- Regulators around the globe are starting to act too. The UK is currently exploring the exemption in the Consumer Credit Act for delayed payment of goods and services applies to BNPL.

- The European Commission and Australia may also seek to regulate BNPL within the next year.
- European countries are concerned too, and in May, the Swedish Authority for Privacy Protection said it was opening an investigation into Klarna's checkout service.

Regulation is a healthy reaction, especially in areas which can be abused, like credit. And in this light, it reinforces the idea of credit being the force for good. And the processes we're witnessing are the standard flow of things:

1

First, technology opens new horizons

2

Then there's a little period of uncontrolled growth

3

During that time some consumers get hurt and regulators catch up

4

Post-regulation maturity phase arrives, rules are set, and the new phenomenon is integrated into our society

The tech-enabled pay later trend is on the 3rd stage of adoption. This financial tool is at the very beginning of its renaissance with plenty of market space left to claim.

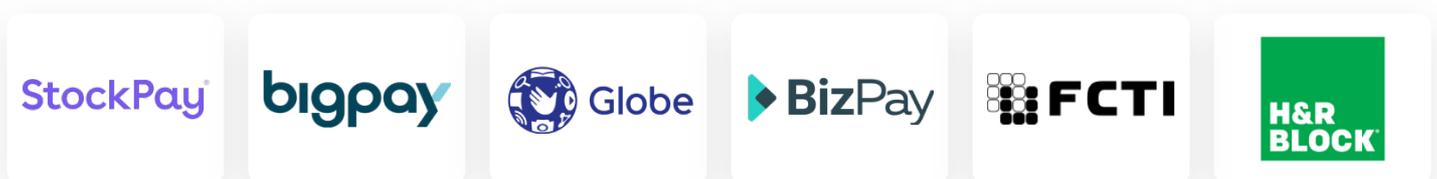
It's important for us to note that TurnKey Lender is focused on and emphasizes ethical lending. We create solutions used by tens of millions of borrowers around the globe. The platform we offer lenders is based on the latest security, compliance, and privacy requirements. Its goal ultimately is to give business owners and lenders tools to offer their clients fair, fully digital, accessible credit where and how they need it.

It's common in our culture to give credit bad connotation but a good illustration that showcases BNPL as a force for good is a vet clinic where you can opt in for a pay later option for surgery on your pet which you pay out in 4 months. So you get what you need without maxing out all the credit cards.

And for an ethical enterprise, pay later options do make the business more profitable and help it grow. Even if you're charging zero interest, you still get customer loyalty, retention, increase purchase frequency, and customer LTV.

Why TurnKey Pay Later

TurnKey Lender automates consumer and commercial client financing programs for payment processing providers, digital banks, ATM networks, ecommerce platforms and large brands like BigPay, Globe Telecom, BizPay, EasyBillPay, StockPay, FCTI, Peppermint, H&R Block and hundreds of other businesses in 50+ countries.



Every type of consumer and business finance is changing. Agents of change are companies that leverage their transactional data to offer risk-free credit with the best possible UX & UI, fairest terms, and seamless collections. With TurnKey Pay Later you get:

- Full white labeling of the platform and all necessary adjustments to make lending feel like a native part of your business
- End-to-end automation of processes from application processing and decisioning to servicing, collection, and reporting
- Unmatched configuration freedom - from customer-facing UX and decision-making logic to amortization schedules and reporting

- Multiple AI-based credit scoring models learning from real transactional and customer data allow for lowest possible credit risk
- Enhancement of the payment services through flexible lending options with the fastest time-to-market

Here's what some of our pay later customers say:



Thanks to TurnKey Lender we were able to challenge our region's banking status quo and make the transition from being an e-wallet to becoming a full-fledged digital bank licensed by the government and offering affordable credit to our clients. We're just getting started and are planning to expand our product range thanks to the flexibility TurnKey Lender gives us.

Chief Product Officer
BigPay



TurnKey Lender allows any of bizmoto's 55,000+ qualified agents, bizmoGo riders and registered network members to seamlessly apply for micro-enterprise loans to grow their business.

Managing Director and CEO
Bizmoto

TurnKey Lender for BNPL – Standard and Enterprise

TurnKey Pay Later has two platform editions for BNPL lenders – Standard and Enterprise. You can see from the names that they are aimed at projects of different scale and complexity. But you can be sure that both will help you lower the credit risk, streamline collections and make more sales by offering better terms and user experience.

1

TurnKey Lender currently automates embedded lending for 200+ enterprise clients with 98.5% satisfaction rate. Over 50 million consumer and business borrowers used this platform to get financing.

2

An e-wallet company became a prominent challenger bank with TurnKey Lender. Aiming at 300x growth TurnKey Pay Later proved the capacity to process over 100 loan applications a minute with huge further scaling potential.

3

Tens of millions of telecom customers use instant airtime loans embedded into the operations of a country's leading provider.

4

TurnKey Pay Later is the company's solution that automates every part of launching and scaling a client financing program across multiple products, countries, and business verticals.

5

This embedded lending platform is user-friendly enough for any business to use it to finance their clients

6

Multi-language and multi-currency platform that is no-code and easily adaptable to meet every one of your requirements.

7

Offers fastest time-to-value: if you need classic Pay Later capabilities, you can be up and running in as little as two weeks.

8

TurnKey Pay Later will be natively integrated into the customer journey, your clients will work with you from a functional portal and your transactional data used in credit scoring will reduce your risks while enabling instant decisions.

TurnKey Pay Later - Standard

The Standard edition of TurnKey Pay Later provides end-to-end automation of the B2C finance lifecycle and is the easiest to use and launch lending platform in existence. It digitizes application processing, vendor management, origination, risk scoring, payments collection, and reporting. The platform's bank-grade AI under the hood analyzes borrowers and makes correct loan decisions instantly.

TurnKey Pay Later - Enterprise

TurnKey Pay Later Enterprise is a no-code modular platform that supports both consumer and business lending, allowing for multinational and multicurrency operations. It's an end-to-end solution that can be used to solve any kind of lending automation challenge, business logic, decisioning flows, and can bring to life any complexity of credit products in minutes. The Enterprise edition of the platform is made for unique business cases, yet it makes sure it has all the common modules and features preconfigured, and its time-to-market is second to none. No matter the business model or the scale of the operation – Enterprise can handle it.

Final thoughts

Even fly now pay later is a thing now. We're in the middle of a huge credit market redistribution. The struggle is going on to see who will own the point-of-sale finance. Who will have the privilege to extend credit to a customer and allow them to pay for a product or a service in installments.

Will it be a traditional bank that implements a pay later program, an innovative lender like Affirm or Klarna, or will it be the business owner themselves? Will it be a few large providers or a myriad of in-house operations? That's yet to be decided.

All we know is that TurnKey Lender currently automates embedded lending for 200+ enterprise clients with 98.5% satisfaction rate and we'd love for your business to become our next big success story.

Schedule an intro call with us today.