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Let them pay later: Making the most of a trend



“Buy now, pay later” (BNPL) is becoming increasingly popular. According to a study by the Statista research institute published in March, the market share of BNPL in worldwide e-commerce payments doubled from 2019 to 2021, and now stands at a total share of 3 percent globally. Considering that the market share in 2016 was only 0.4 percent, the trajectory of the trend is clear. Financial institutions, e-commerce merchants, customers, and regulators will inevitably have to familiarise themselves with the opportunities and challenges of this disruptive trend.

NO OPPORTUNITIES WITHOUT CHALLENGES

Of course, BNPL is attractive to customers because it allows them to buy a product immediately without paying the full amount at the time of purchase. This method also offers attractive opportunities for BNPL providers and e-commerce merchants: it has been proven to act as a sales and acquisition driver and a growth accelerator for many merchants. Offering BNPL as a payment option widens the existing customer base significantly.

A few challenges need to be faced when dealing with BNPL: while the usual credit default concerns are an issue for merchants and BNPL providers alike, BNPL has also led regulators to closely monitor the number of customers who are overspending. To protect consumers while still allowing the trend to continue, regulations are being introduced all over the world. This is resulting in uncertainty for BNPL providers as their business models will be

affected immediately by these new standards. This growing market could experience a bump in the road if BNPL providers and merchants are not prepared for what is to come.

CRIF KEEPS THE WHEELS TURNING

To ensure that BNPL processes run smoothly and effectively, an information solutions provider like CRIF is an important partner to have. For BNPL providers, CRIF offers a comprehensive and reliable dataset, which is used to evaluate consumer and business requests to make use of BNPL options.

The biggest challenge for BNPL providers is to find the optimal risk setting in which the acceptance rate of customers who want to choose BNPL is at its highest while the credit default risk is at its lowest. Fittingly, CRIF’s decision-making platform can be modularly adjusted so that providers have a tool for whichever use case they face: be it, for example, to create credit scores required by partnering financial institutions or for fraud prevention. With CRIF’s consultants and their software-as-a-service approach providing valuable information, providers can take full advantage of BNPL while keeping the risks to a minimum.

CRIF’s data allows the reliable estimate of a customer’s financial situation and serves as a security measure against fraudulent behaviour. This assessment not only helps to calculate default risks and to minimise fraud concerns but also acts as a protective measure in the customer’s interest. Based on CRIF’s calculations, BNPL options

can be limited to those customers who can responsibly and sustainably afford to pay at a later stage.

The upcoming customer protection regulations will vary by country in a similar way to data availability. By partnering with the globally active CRIF Group, providers can count on achieving the right balance between customer acceptance and worldwide risk. Knowing local regulations and cultural differences in payment behaviours while accessing reference data for most countries gives BNPL providers a key competitive advantage.

Companies like CRIF are essential for the BNPL trend within B2C and the growing B2B space. They offer support to all players within the BNPL value chain: merchants, BNPL providers, financial institutions, customers, and even debt collectors. With their expertise, experience, and custom-made data solutions, they ensure that BNPL can be offered in a sustainable, responsible, and reliable way – now and in the future.

CRIF is a global company specialising in credit & business information systems, analytics, outsourcing and processing services, as well as advanced digital solutions for business development and open banking. Through continuous innovation, the use of state-of-the-art technology and a strong information management culture, CRIF supports 10,500 banks and financial institutions, more than 600 insurance companies, 82,000 business clients and 1,000,000 consumers in more than 50 countries across 4 continents.

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