



The PayPal Pay Later Strategy for Businesses



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Executive Summary

The way consumers shop and pay online has changed dramatically over the past few years, intensified by the aftermath of a global pandemic and other significant events. Buying habits are changing out of both necessity and preference, resulting in more consumers ordering and paying online than ever before.



We're also welcoming a new generation of savvy customers with substantial buying power, and a preference for the flexibility of Buy Now Pay Later options (BNPL).¹ Also, with advances in payment options, consumers no longer need physical credit cards to make purchases.

The global BNPL market value is expected to reach \$20.4B in 2025.² In the UK, BNPL services are the fastest-growing online payment method growing 2x as quickly as bank transfers and more than 3x the rate of annual growth in digital wallets.³

For UK businesses, offering and promoting pay over time options across your site can help you attract new customers and increase conversions and revenue.

With increasing expectations for pay over time offerings, businesses (and customers) will look for trusted payment options. To help you meet these market demands, PayPal Pay in 3* is included in your PayPal payment integration, enabling you to offer customers the ability to pay later at no additional cost to your business. PayPal Credit is also available to enable flexibility for customers with larger purchases.**

*Pay in 3 is a form of credit and availability is subject to merchant status, sector and integration. Pay in 3 use is subject to approval and can impact customer credit scores. **Integrating PayPal Credit may involve additional cost. FCA permission may be required to offer PayPal Credit. Consumer eligibility is subject to status and approval. See terms for product details. 1. Insider Intelligence/eMarketer, 'Almost 75% of BNPL users are millennials or Gen Z', data based on surveys of BNPL usage in the U.S. 2. Grandview Research, August 2020. Buy Now Pay Later Market Size, Share & Trends Analysis Report By Channel (Online, POS), By Enterprise Size, By End Use (Fashion & Garment, Consumer Electronics, Healthcare), By Region, And Segment Forecasts, 2021 - 2028. 3. Worldpay Report from FIS 2020 Global Payments Report "Use of buy now, pay later products in the UK set to more than double by 2023, finds new Worldpay report". Published on Feb 29, 2020.

Why Are UK Consumers Choosing BNPL?

BNPL is one of the fastest-growing payment options in the UK. It empowers consumers to make purchases—even big-ticket ones—and pay in instalments over time, without accruing interest.

This attribute has led savvy, prudent customers to turn to the BNPL model when buying online. In fact, more than 17 million UK customers have used BNPL to pay for an online purchase since 2020.⁴

**17 million UK consumers
have used BNPL since 2020.**

4. BBC, 'More than 17 million have used buy now, pay later services', www.bbc.co.uk/news/business 29 November 2021.

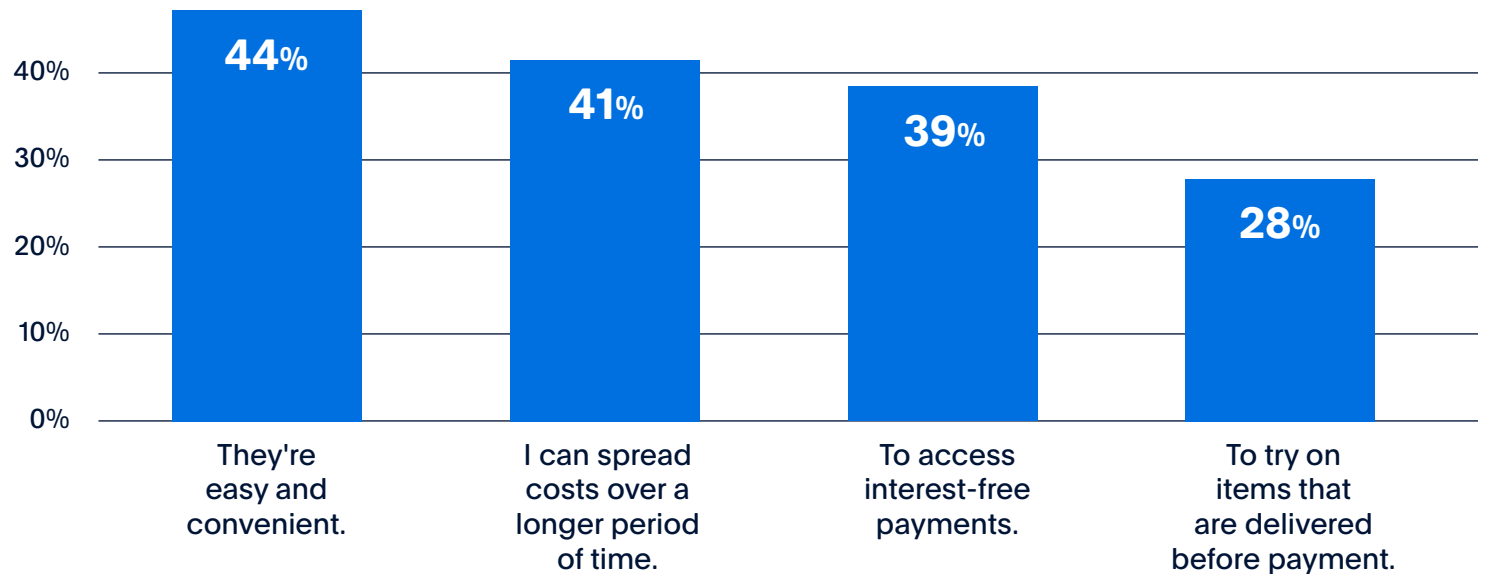




More consumers are choosing to pay via BNPL because the payment method offers them flexibility and a budget-friendly way to pay.⁵

Shoppers also find that BNPL is an easy and convenient payment alternative to traditional credit cards. The payment method is seamlessly integrated into the buyer's journey with no need for lengthy, external application processes.

Why do shoppers use BNPL services?⁶



5. TRC, Commissioned by PayPal, April 2021. TRC conducted 20 minutes online survey amongst 1,000 UK consumers ages 18+.

6. Finder, 'Buy Now Pay Later', 1 March 2021 www.finder.com/uk/buy-now-pay-later-providers-uk#bnpl-paper

The BNPL Market at a Glance

Consumer uptake of BNPL in the UK has increased dramatically since the onset of the pandemic, and this growth is here to stay.

While many experts are sceptical and of the view that pay later is a commerce fad that only boomed because of COVID-19, market data shows that BNPL has actually grown as a way to pay for more and more consumers, especially when compared to physical credit cards.

Steady growth is forecasted to continue for this transaction mode, as an increasing number of retailers make BNPL part of their payment offerings.

Over 15M

UK consumers have used BNPL.⁷

50%

of BNPL users have abandoned a purchase due to not seeing a BNPL option.⁸

44%

of UK shoppers use BNPL payments for its ease and convenience.⁹

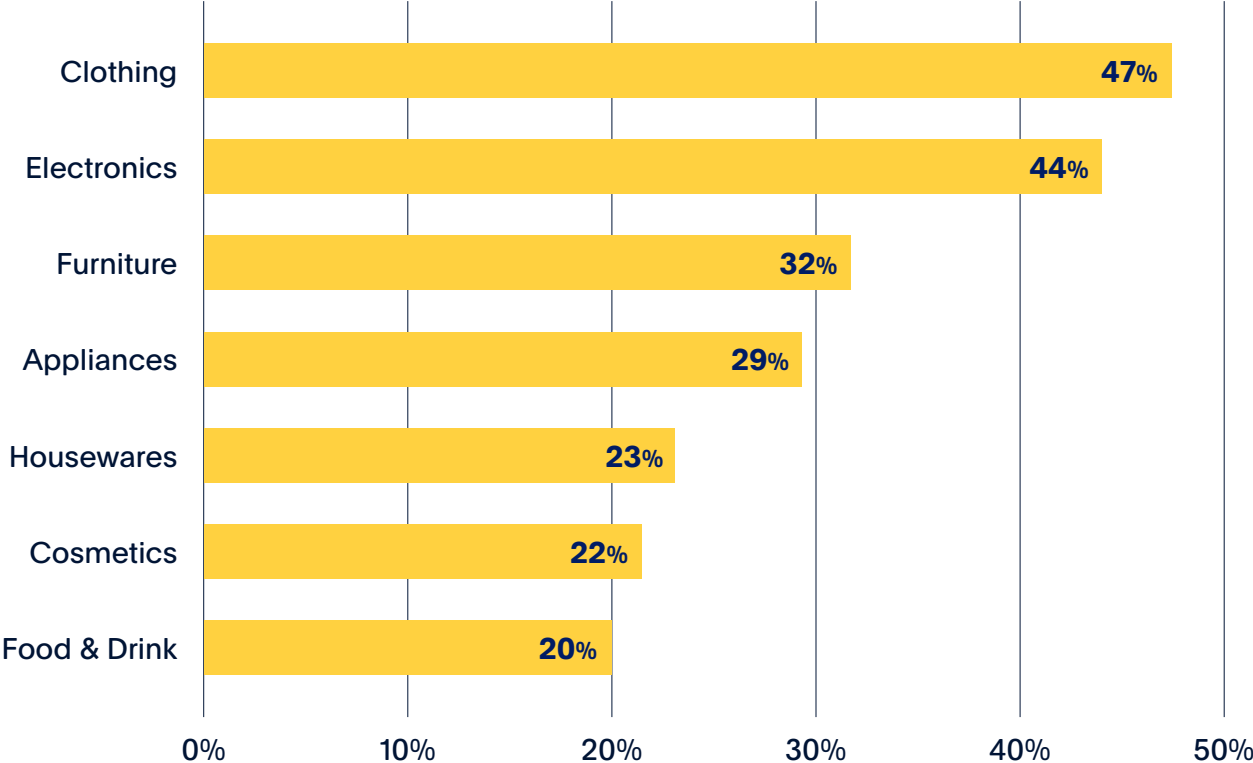
\$20.4B

projected total value of UK BNPL payments in 2025.¹⁰

7. BBC, 'More than 17 million have used buy now, pay later services', 29 November 2021. 8. TRC, Commissioned by PayPal, April 2021. TRC conducted 20 minutes online survey amongst 1,000 UK consumers ages 18+. Base: BNPL Users n=303. 9. Finder, 'Buy Now Pay Later', 1 March 2021 www.finder.com/uk/buy-now-pay-later-providers-uk#bnpl-paper. 10. Grandview Research, August 2020 Buy Now Pay Later Market Size, Share & Trends Analysis Report By Channel (Online, POS), By Enterprise Size, By End Use (Fashion & Garment, Consumer Electronics, Healthcare), By Region, And Segment Forecasts, 2021 - 2028.



Most common types of BNPL purchases during COVID-19 worldwide.¹¹



11. C+R Research, 'Buy Now Pay Later Statistics And User Habits'. Survey of 2,005 self-reporting online consumers via Amazon's Mechanical Turk platform from March 25 to April 12 2021.



Payment Presentment Strategy Leads to Conversions

Developing a payment presentment strategy that integrates PayPal, and our BNPL and Credit offerings is a small but crucial step toward staying ahead of the curve, driving improved conversion and increasing sales.

Payment presentment refers to when payment options are displayed throughout the buying journey on your site to enhance the customer experience.

When you make payment options visible across the customer journey, you let customers quickly identify if their preferred payment method is available. This helps to assure them that the checkout process will be secure and frictionless, making them more likely to see their purchase through.

Make it clear that you accept PayPal and PayPal Pay Later by placing messaging prominently across product pages and throughout the checkout process to encourage conversions. Adding PayPal Checkout buttons to product pages will also let consumers purchase directly, skipping tedious checkout steps.*

A strong payment presentment strategy can drive conversion momentum.¹²



*Merchants require FCA permission to advertise PayPal Credit on their sites.

12. PayPal, 26 June 2020. 'Optimizing customer experience with payment presentment'.

How PayPal Presentment Drives Conversions



Reach

With a user share of 91%, PayPal is the most used online payment service in the UK.¹³

With more than 32M active accounts in the UK, PayPal can help you win at checkout and access new customers.



Trust

74% of consumers trust PayPal to keep their financial information secure.¹⁴

Displaying the PayPal payment options can give consumers more confidence to shop with new/unknown retailers, therefore improving sales and repeat purchases.



Seamless

71% of PayPal BNPL users say that PayPal makes checkout faster.¹⁵

Making PayPal a visible option accelerates and simplifies the purchase process, reducing abandoned carts.¹⁶



Engagement

PayPal users are 3.8x more likely to convert where PayPal is visible.¹⁷

Include the option to pay with PayPal in email reminders to customers who abandon their carts. This increases the chances they will return to your checkout and complete their purchase.

13. Statista, Global Consumer Survey Brand Report, Online payment: PayPal in the UK, May 2022. Base: n=1,605, online payment users. 14. TRC, Commissioned by PayPal, April 2021. TRC conducted 20 minutes online survey amongst 1,000 UK consumers ages 18+. 15. TRC, Commissioned by PayPal, April 2021. TRC conducted 20 minutes online survey amongst 1,000 UK consumers ages 18+. PayPal Customers Using PayPal BNPL: UK (n=178). 16. PayPal, 22 September 2021. '6 ways to reduce shopping cart abandonment'. 17. Nielsen Study, Commissioned by PayPal, Nielsen Media Behavioural Panel of desktop transactions from 13,013 UK consumers who are PayPal users, from October 2019 to September 2020 to understand and measure the impact that PayPal has for 315 UK-based LE merchants across different verticals.

PayPal UK's Pay Later Offerings

PayPal Pay Later options include Pay in 3 and PayPal Credit. Pay in 3 is included in most PayPal checkout integrations, where available, at no additional cost to your business. You can also apply to offer PayPal Credit to customers for larger purchases, enabling them to pay over a longer period of time.

By offering payment in instalments, you empower your customers to make purchases with flexible choices in how and when they pay. They can pay over time, while you can see higher sales and more repeat business.

30% of shoppers will abandon your store if they don't find their preferred payment method.¹⁸

¹⁸. PayPal, 26 June 2020. 'Optimizing customer experience with payment presentation'.



PayPal Pay Later at a Glance

	Applying	Interest rate	Repaying	Instalments	Spending limits	Fees
Pay in 3	Customer applies every time they use it.	0% interest on all purchases £30 - £2,000.	Customers make the first payment at checkout, then 2 fixed payments over 2 months.	No longer term instalments available.	Can only be used on purchases £30 - £2,000 with eligibility assessed for each purchase.	No fees.
PayPal Credit	Customer applies just once and can use it again and again up to their credit limit, once approved.	0% interest for 4 months on all purchases £99+.* Balances after this period or transactions under £99 are charged interest at the standard variable rate. PayPal Credit is a revolving credit product with a Representative APR 21.9%.	No need for up-front payments. Customers can avail of the 0% for 4 months offer and repay flexibly, as long as they meet the minimum monthly amount requirement. Outside of offers, customers are charged interest if they do not repay the balance in full each month.	Merchants who offer PayPal Credit can make monthly instalment plans from 6-48 months available to their customers.	No minimum spend. Customers can spend up to an approved credit limit.	Fees may apply for late payments and returned payments.

* The minimum payment due still applies to 0% offer balances. In order to maintain the 0% offer, customers need to keep up monthly repayments and stay within their credit limit.

The PayPal Pay Later Advantage for Your Business

For your customers, PayPal Pay Later:

- **Increases purchasing power with simple and clear instalment options:** Give customers the flexibility to buy now and pay later with a choice of options to meet their budget and lifestyle.
- **Improves confidence:** Our proprietary data and models offer transparent financing to customers and help keep them on track with payments.
- **Is a global, trusted brand:** Gives your customers instalment options through PayPal, the 2nd most trusted brand in the world with 11+ years of leadership in the pay later space.¹⁹

11+ years of leadership in the pay later space.

For you, PayPal Pay Later delivers:

- **Easy integrations for your end-to-end payment needs:** Pay in 3 is included in most PayPal payment integrations with minimal or no development work. PayPal Credit can also be integrated into your payments processes.*
- **Increased sales and average order values (AOV):** 70% of customers say PayPal's Pay in 3 lets them buy what they need without waiting.²⁰
- **No additional cost:** Eligible customers can choose to pay with Pay in 3 with no additional cost to you. Pay in 3 transactions are charged at your standard PayPal merchant rate.
- **Reduce risk:** You get paid in full, upfront. PayPal takes care of customer repayments.

*Merchants require FCA permission to advertise PayPal Credit on their sites. 19. Morning Consult -The 15 Most Trusted Brands Globally. March 2021. Morning Consult surveyed over 330,000 consumers across 10 international markets to provide a global view on the current state of consumer trust across brands. 20. TRC, Commissioned by PayPal, April 2021. TRC conducted 20 minutes online survey amongst 1,000 UK consumers ages 18+. Base: BNPL Users n=303.

Executing Your PayPal Pay Later Strategy

Letting your customers know they can pay later with PayPal while they browse your site can help increase your conversion rate. Adding promotional messaging across your website lets customers know that you offer the freedom and flexibility to pay the way they want before they reach checkout.

Adding PayPal Pay Later messaging.

Promote PayPal Credit and PayPal Pay in 3 as a payment message across all your online commerce touchpoints. Keep the messaging consistent across all channels, from social media and ads to your website, so consumers are reminded that PayPal's Pay Later options are available, no matter what device they're using.

84% of BNPL users decide to use a buy now pay later solution prior to checkout.²¹



21. An online study commissioned by PayPal and conducted by Netfluential in November 2020, involving 1,000 US online shoppers ages 18-39. (Among BNPL users, n=357).

Some important places to include PayPal Pay Later messaging include:



On product pages.

Including the Pay Later option on your product and/or service pages can encourage consumers to make purchases they are otherwise hesitant to pay for at one go, as payments are made more manageable.

Pay Later messaging should be placed directly above the 'Add to Cart' button so customers know flexible payment options are available.

For larger ticket items, highlighting PayPal Credit acceptance may increase conversion.



At the top of your homepage.

Placing Pay Later messaging at the top of your website's homepage is an eye-catching way to immediately let consumers know that your business offers buy now pay later at the very beginning of their buying journey.



On the shopping cart and order summary pages.

Having the Pay Later option highly visible can encourage purchase completion.

Place Pay Later messaging above the 'checkout' button, below the cart total. Also, present PayPal Checkout and Pay Later buttons in the same button size and shape as the 'Checkout' call to action (CTA) button.



On ads.

Broadcast your e-commerce store's pay later offerings by including Pay Later messaging on your ads, such as banners on social media.

This lets consumers know that your business offers flexible financing, helping you gain new customers, while encouraging purchase completion from your existing consumer base.

Presenting the Pay Later Button

Use the stacked button to present PayPal Checkout and Pay Later equally. Using the gold button leverages PayPal's brand recognition and can improve conversions as shoppers trust that PayPal keeps their purchases secure.

PayPal Pay Later provides another payment choice for PayPal customers. By including Pay Later messaging across your site and presenting it as equal to PayPal Checkout and traditional checkout in your shopping cart, you can drive awareness and leverage the PayPal brand to close the sale.

59% of BNPL users have been encouraged to complete their purchase by seeing a buy now, pay later message early in the shopping experience.²²

22. TRC online survey commissioned by PayPal in April 2021 involving 5,000 consumers ages 18+ across US, UK, DE, FR, AU (among BNPL users, US (n=282), UK (n=303), DE (n=342), AU (n=447), FR (n=255))



Key Takeaways

- BNPL is a payment method that will continue to grow in the UK.
- BNPL can increase conversions, attract new customers, and help your business grow.
- PayPal is a trusted payment method among consumers.
- PayPal Pay in 3 is included in most PayPal integrations at no additional cost.
- PayPal Credit offers your customers even more flexibility, with the ability to pay in instalments over 6-48 months.
- Adding Pay Later messaging to your site is quick and easy and may deliver a significant impact.

23. Worldpay Report from FIS 2020 Global Payments Report "Use of buy now, pay later products in the UK set to more than double by 2023, finds new Worldpay report". Published on Feb 29, 2020.



BNPL services are growing 2x as quickly as bank transfers and more than 3x the rate of annual growth in digital wallets.²³



About PayPal

PayPal has remained at the forefront of the digital payment revolution for more than 20 years. By leveraging technology to make financial services and commerce more convenient, affordable, and secure, the PayPal platform is empowering more than 400 million consumers and merchants in more than 200 markets to join and thrive in the global economy.

PayPal can help optimise the checkout experience for your customers, give them more options to pay as well as increase authorisation rates.

To learn more, visit
<https://www.paypal.com/uk/webapps/mpp/campaigns/ppcp>

