Sponsored Feature

Utilising Payment Technology to Respond to Emerging Consumer Behaviour

By BoF Studio

Young woman using mobile. Getty Images.

Greg Lisiewski, PayPal's VP of global pay later products, shares his insight on the growth opportunities on what non-linear paths to purchase and "distributive commerce" across platforms and channels represent for retailers.

For more than 20 years, global payment provider PayPal has operated at the forefront of the digital payment revolution. Creating an additional payment option for consumers, who were at the time, familiar primarily with cash, cheque, credit and debit card transactions. Paypal's offering has allowed any business or individual with an email address to securely send and receive payments online.

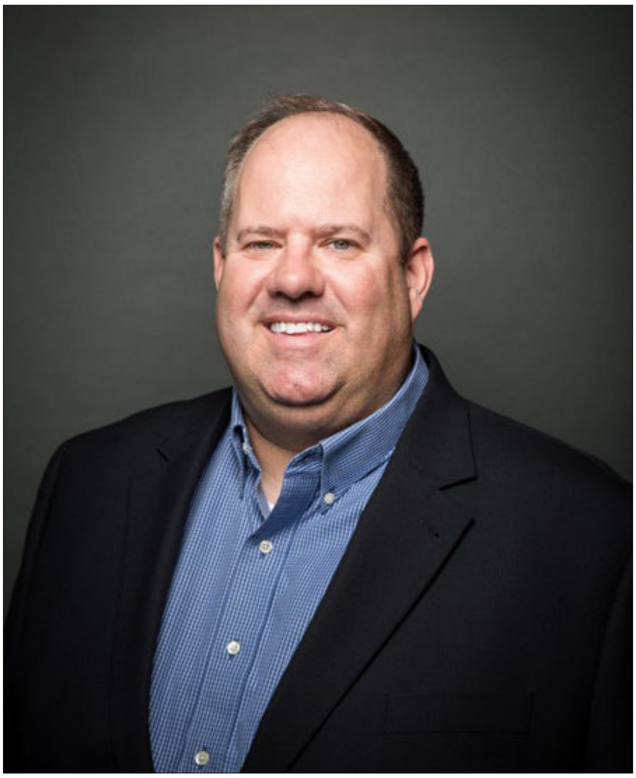
Today, it serves more than 392 million consumers and merchants in over 200 markets, and is doubling down in its flexible payment options. PayPal's Global Pay Later solutions offers consumers the option to pay in bi-weekly or monthly, interest-free instalments.

These are timely offerings, as consumer behaviour has changed drastically due to the Covid-19 pandemic. New data from fintech research specialists Kaleido Intelligence shows that $680 billion will be spent by global consumers using buy now, pay later over e-commerce channels in 2025 — a forecasted 92 percent rise from 2019 levels.

Now, BoF hears from Greg Lisiewski, PayPal's VP of global pay later products, to glean insight into PayPal's understanding into global shopping behaviour, emerging payment innovations, and the growth levers to be found in more flexible payment offerings.

How is the payment solutions market changing?

It has been fascinating to watch the intersection of technology, product and experiences build over the course of the pandemic. McKinsey [research] suggests that US e-commerce experienced ten years growth in just the first three months of the pandemic. However, it's interesting to consider that 2020 wasn't marked by new technology. Rather, it was about behavioural change catching up with technology.



Greg Lisiewski, PayPal's VP of global pay later. PayPal.

> *"The rise of the subscription lifestyle — paying X per month — acts as a nice dovetail into instalment payments for a product."*
>
> — Greg Lisiewski

That's what has been amazing to watch within the buy now, pay later space, which is decades old when thinking about traditional financing. Offline, it has long been used for furniture, mattresses — bigger, more durable goods. However, product strategies have shifted. Technology has made it easier for merchants to adopt these [payment] programmes.

Then, the pandemic brought real uncertainty. Consumers were asking, "What's going to happen next week? Am I going to have a job? If I have one, am I going to get paid?" For many [consumers] it was more about managing cash flow — not simply paying for goods or services over time. Now, it's interesting to watch customers engaging with merchants and recognising the ease of these new solutions — paying predictably, picking up in-store. That's why many of these changes will stick. It'll be interesting to see the next set of technologies and experiences that will develop off the back of this new consumer mindset.

What insights can PayPal share into how global shopping behaviour is changing due to flexible payment terms?

It was already fast-growing across the globe. From Australia, which has long been immersed in this new age of short term or low average order value products, to Brazil and Mexico, and the commerce-driven economies of the US and the UK.

Often, in the early days of the new iteration of buy now, pay later, there was a lot written about millennial aversion to credit. While there's some truth in it, I think what's being proven is credit is often driven as much by life stage. As millennials enter their 30s, they're more likely to be raising families, buying homes, and travelling more — there are expenses that traditional credit products are just needed for. It's hard to buy an airplane ticket and manage vacation expenses without a credit card.

The other thing that has happened, particularly for the Gen-Z consumer, is the rise of the subscription lifestyle. Consider music — they pay under ten dollars a month to listen to any song they want, but don't purchase individual records. For content and TV, they have subscription plans. For books, a subscription plan. Clothing, they can rent it. That whole subscription idea of paying X per month acts as a nice dovetail into instalment payments for a product. It fits right into that fundamental change in behaviour.

How is the path to purchase changing?

I think 'non-linear' is a great term to describe the current path to purchase. Sometimes the payment part almost doesn't even exist. Ride-sharing is an interesting example — you get into a car, you get out of the car, and payment happens somewhere along the way. It's not even part of the transaction anymore.

From a technology perspective, the rise of platforms that facilitate easy innovation mean that SME retailers don't have to make nearly as large an investment to take advantage of new technologies. Back to that idea of subscription, if you translate that into a business sense, effectively everything can be rented. You can rent the commerce platform, the component that helps you manage inventory or manage the check-in.

There has never been a better time to take advantage of innovations. Retailers don't have to invest millions of dollars upfront to get complicated logistical systems or custom solutions in place. The ones who are on top of that, and are platform-nimble, are the retailers

“Innovation happens when a retailer figures out how to tailor available tech to their customer experience in a way that truly fits their brand.”

— Greg Lisiewski

that are ultimately creating the early wins — helping to create lasting loyalty with consumers.

What do you anticipate will be the next evolution in Pay Later services?

Buy now, pay later is certainly still building — 20 to 25 billion purchases were made last year — and the expectation is it will grow to nearly 1 trillion by 2025. What’s interesting is that the technology that facilitates it has been flexed within e-commerce. Now, we’re seeing e-commerce strategies moving to omnichannel solutions that blend the digital and physical. That really is the key — meeting consumers with payment flexibility where and how they want to shop and/or pay.

Creating seamless and frictionless in-store experiences will become a big part of pay later. As new sales channels open up, you get micro-channels inside of various elements of mobile, such as video shopping, in-app purchasing and social platforms. You have what we refer to as distributive commerce — the idea that the [customer] will want to buy via an Instagram post from an influencer they trust, but still want flexibility to split that purchase.

In terms of categories, fashion and home goods have been the top performing verticals across the pay later space, but I think you’ll continue to see growth in other verticals. Travel, as it opens back up, lends itself well to buy now, pay later solutions. You’ll see it trickle more into services, too, as consumers just think about it as a smarter way to use cash.

How is PayPal evolving its partnerships with retailers and merchants?

Ultimately, one of our top-level missions at PayPal is to democratise financial services to serve both merchants and consumers. On the retailer side, we’re evolving our overall commerce platform to offer as complete a solution as possible, not just in terms of pay later, but in payment acceptance, reporting and logistics. We want to be there for our partners before, during and after the purchase — support as many journeys as we can, linear or non-linear.

From a PayPal perspective, one of our core advantages is bringing trust to the equation for retailers. We’re a brand that’s been around for over two decades and is the second most-trusted brand in the world, according to Morning Consult. We also have considerable scale — 32 million plus merchants on the network and over 400 million consumers. We’re able to use that scale to turn it into data and insights that we can invest back into features and functions that help both sides of our network.

Now, we’re focused on geo-expansion, and have announced plans to expand the offering into markets in Europe before the end of the year. We want to continue to extend our value to consumers, and turning that into features and insights for merchants to grow their businesses.