

# THE ECONOMIC IMPACT OF BUY NOW, PAY LATER IN THE US

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Commissioned by

afterpay 



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**Note: All dollar figures are in US dollars and accurate as of 2021. All 2021 estimates are calendar year estimates for full year 2021.**



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# THE ECONOMIC IMPACT OF BUY NOW, PAY LATER IN THE US



Spending on BNPL in the US has **increased rapidly in the last year** – up **230%** since the start of 2020



US consumers use BNPL because they like to pay in installments and find it **helps them with budgeting**



Basket sizes are **17% higher in value** compared to pre-Afterpay levels



Afterpay created **\$590m in merchant cost savings** in 2021



The average Afterpay merchant obtains almost **13% more new customers**



Afterpay's Shop Directory sends **1 million referrals globally to merchants** each day



Afterpay is US consumers' preferred BNPL provider for **fashion and beauty purchases**



Afterpay fashion spending is equivalent to **6.5% of US fashion e-commerce**



Consumers save **up to \$459m in credit card fees** by making purchases with Afterpay, equivalent to **\$6 per order**



Merchants using Afterpay gain **\$4.5bn in net economic benefits** in 2021, including **\$8.2bn in new revenue**

# Executive Summary

The payments sector is undergoing significant reform with the continued growth of e-commerce, digital payment technologies and changing consumer values. This includes a shift in consumer preferences away from traditional credit options and towards alternative products that offer interest-free borrowing and budgeting features.

Buy Now, Pay Later (BNPL) enables small, short-term purchases, often repaid in interest-free installments. This means that a user can purchase an item without paying the full value upfront at no extra cost if repayments are made on time.

The BNPL payments model provides consumers with several key benefits, including consumption smoothing, budgeting support, a convenient alternative to traditional credit and access to online store directories. As a result, the number of BNPL users in the US has grown by more than 300 percent per year since 2018, reaching 45 million active users in 2021 who are spending more than \$20.8 billion. This is equivalent to 2.4 percent of US online retail and 12 percent of US online fashion retail. It is estimated that BNPL users in the US will gain \$1.6 billion in surplus value from using BNPL services in 2021.

Afterpay is a leader in the US BNPL market. It is consumers' preferred BNPL provider for fashion and beauty purchases, and generates 6.5 percent of US fashion e-commerce. Afterpay's zero interest and zero account fee model will save its users \$459 million in credit card fees across all purchases in 2021, or \$6 per Afterpay order. Average credit card costs are equivalent to 4.4 percent of the purchase price, compared to just 0.1 percent if Afterpay late fees are taken into account. These benefits are evident across the entire user distribution, with economically vulnerable Americans benefiting most from using Afterpay instead of credit cards.

Access to credit in emergency situations can relieve a significant burden on economically vulnerable individuals, as well as providing opportunities to invest in education, employment and insurance in the future. Improving access to credit for underserved and economically vulnerable groups is possible with new lending technologies such as Afterpay.

In 2021, Afterpay supported more than 26,000 US businesses, 95 percent of which are small to medium businesses, helping to generate new revenue and decrease operating costs. Afterpay will deliver \$4.5 billion in net benefits to merchants in 2021, equivalent to an average 11 percent increase in profit margin compared to pre-Afterpay sales. This was driven by creating \$8.2 billion in new revenue for merchants through:

- Larger customer basket size;
- Rises in repeat purchasing;
- Exposure to new customers;
- Increased brand relevance and customer engagement; and
- Improved checkout conversion.

In addition, US businesses using Afterpay enjoyed \$590 million in cost efficiencies in 2021 from:

- Lower customer service costs;
- Lower customer acquisition costs;
- Lower return rates;
- Lower fraud rates; and
- Lower marketing costs.

Afterpay will support 70,000 American jobs in 2021 with 6,600 people employed directly by merchants to support Afterpay sales. An additional 39,700 jobs were supported indirectly through the supply chain of merchants and a further 24,000 jobs were supported by increased spending in the economy across a broad range of sectors, generated as a result of these jobs.

# Buy Now, Pay Later is a rapidly growing payment method in the US



US consumers are looking for new ways to manage and control their own finances. This includes a long-term shift away from traditional credit products, embracing greater flexibility in spending patterns and adopting new technologies to help manage their budgets.

These trends were particularly evident in 2020, as people everywhere relied more on platforms which allowed them to connect, find value and maintain control over their finances throughout the COVID-19 pandemic, and the trend has continued into 2021.

Buy Now, Pay Later (BNPL) allows users to purchase an item without paying the full value upfront and repay the remaining balance in cost-free installments. As a result, BNPL is supporting the shift in consumer preferences toward better financial control and is rapidly becoming a significant component of US retail spending. This is particularly the case for online and fashion retail.

Consumers choose to use BNPL for several reasons - the installment payment model and associated consumption smoothing effects, budgeting support, convenient access to credit and the ability to shop through online marketplaces offered by BNPL providers. The overall 'consumer surplus' benefit enjoyed by US BNPL users is estimated to reach \$1.6 billion in 2021.



**45m Americans** used BNPL in 2021



BNPL fashion payments are **12% of US online fashion retail**



US consumers derived **\$1.6bn in surplus value** from using BNPL

## 1.1 US consumers are becoming more conscious about managing their money

The financial position of US households has improved in recent years. Despite strong economic growth between 2016 and 2019,<sup>1</sup> growth in credit card balances has been slowing, falling 18 percentage points between August 2018 and March 2021 (see Exhibit 1).<sup>2</sup>

Although the COVID-19 pandemic created unprecedented financial disruption for consumers and businesses, its effect on consumer credit was cushioned by government support. Government relief payments gave many Americans the cash boost they needed to break their revolving debt cycle, with more than half of recipients using this money to pay down their credit debt.<sup>3</sup> As a result, total revolving consumer credit was \$116 million lower in January 2021 compared to January 2020.<sup>4</sup>

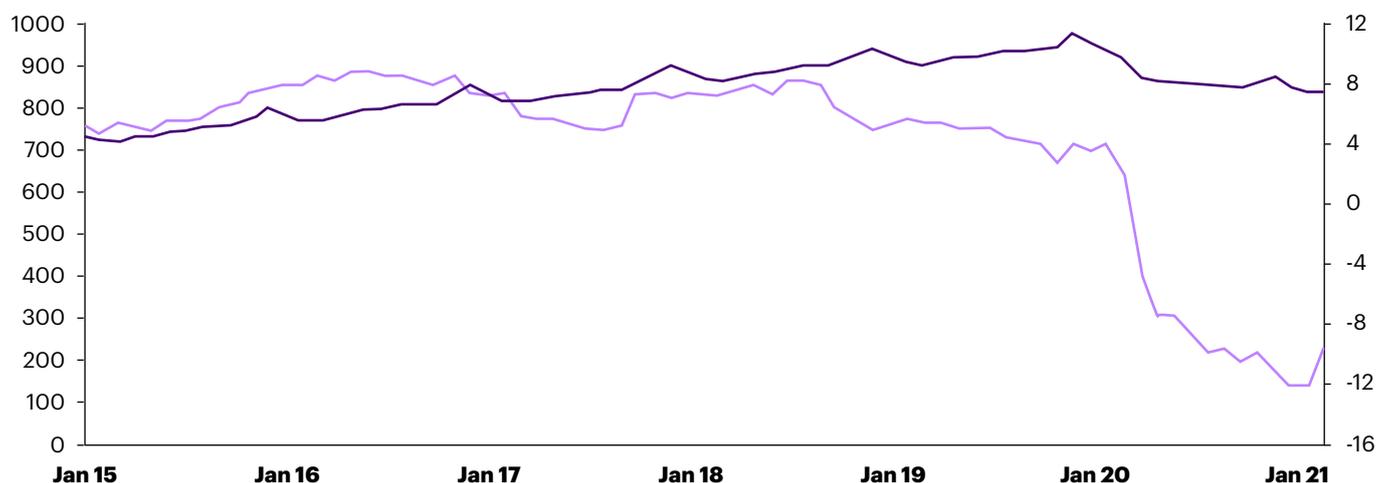
### EXHIBIT 1

## Revolving consumer credit owned by depository institutions

### Revolving consumer credit owned by depository institutions

— Outstanding credit - LHS  
— YoY growth (%) - RHS

US\$ millions, not seasonally adjusted, % growth (adjusted for write-offs)



Source: Federal Reserve (2021), G-19: May 2021 release

Credit card balances have continued to fall throughout 2021 and credit card utilization rates are in decline.<sup>5</sup> This decline in particular could signal a permanent consumer shift away from traditional revolving debt sources, as credit card utilization has historically remained constant throughout other recessions and in spite of major income shocks.

US consumers are also saving more, with the proportion of households saving per year increasing by 4 percentage points between 2016 and 2019.<sup>6</sup> Consumers have reported a significant increase in savings during the COVID-19

pandemic, with the majority intending to continue this into the future.<sup>7</sup>

The shift in financial habits is particularly pronounced for Generation Z and Millennial age groups. Their spending and saving patterns are being shaped by new forces - the median Generation Z consumer was in primary school for the Global Financial Crisis, and is leaving high school during COVID-19. As a result, economic crises are a feature of their psyche.

1 US Federal Reserve (2020), Survey of Consumer Finances

2 US Federal Reserve (2021), G-19: May 2021 release

3 National Bureau of Economic Research (2020), How did U.S. consumers use their stimulus payments?

4 US Federal Reserve (2021), G-19: May 2021 release

5 US Consumer Financial Protection Bureau (2021), Credit card use is still declining compared to pre-pandemic levels

6 US Federal Reserve (2020), Survey of Consumer Finances

7 CIT (2020), Saving and spending trends by the numbers

## 1.2 BNPL has grown exponentially in the last five years

BNPL users pay a portion of the total price of an item on the day of purchase, and the remainder of the purchase

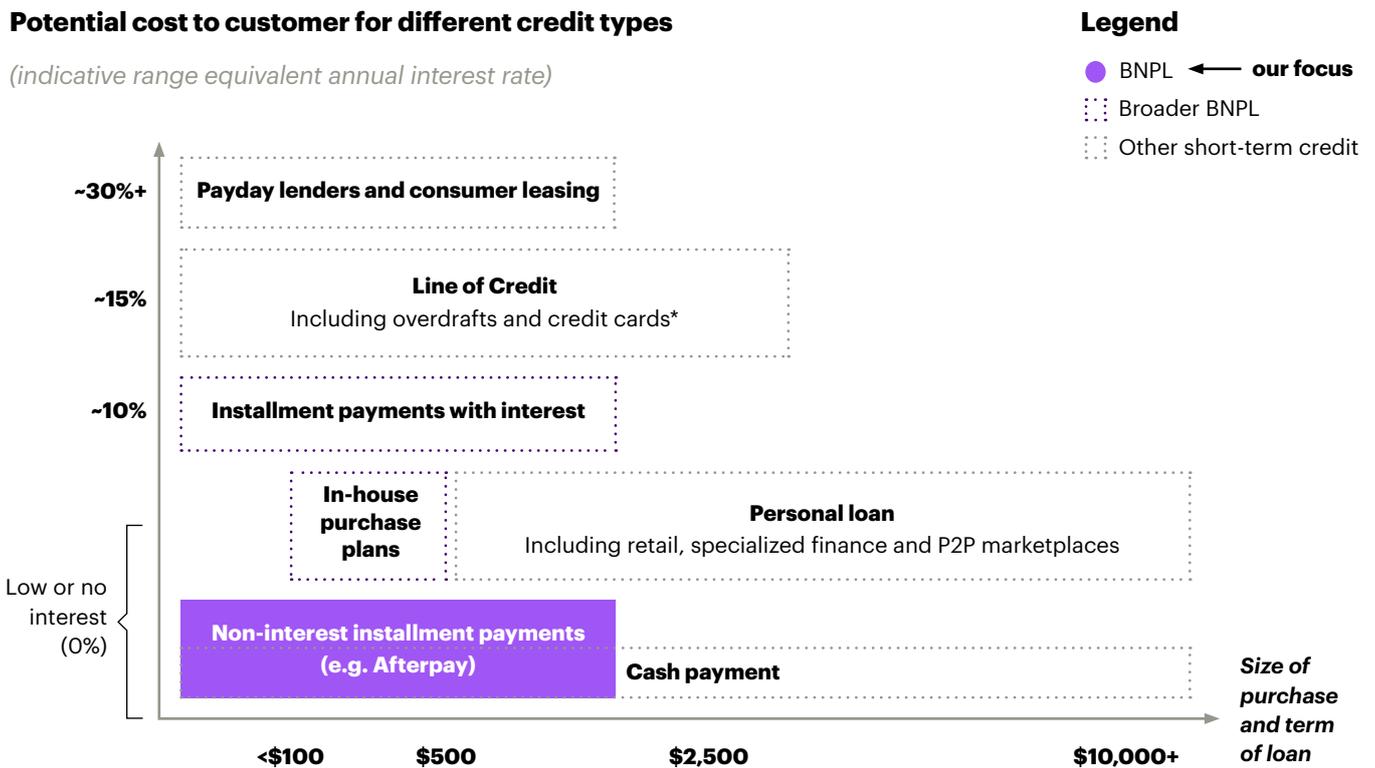
price over the next few weeks or months. There are no extra interest or purchase costs applied if a user makes repayments on time. As a result, BNPL enables users to make small, short-term purchases (see Exhibit 2).

### EXHIBIT 2

## Buy Now, Pay Later (BNPL) enables small, short-term purchases, often repaid in interest-free installments

### Potential cost to customer for different credit types

(indicative range equivalent annual interest rate)



\*Interest-free periods may be offered

BNPL is currently a small portion of the US payments system but it is becoming significant in some categories and channels (see Exhibit 3).<sup>8</sup> For example, although BNPL payments are just 2 percent of all online retail spending in the US, they make up 12 percent of all online fashion retail

spending. This is equivalent to \$20.8 billion in 2021, spent by 45 million US consumers.<sup>9</sup> The average BNPL user currently spends \$465 per year with BNPL, although more experienced BNPL users have much higher spend values.<sup>10</sup>

8 Afterpay data; US Census Bureau (2021); Statista (2021); Accenture analysis

9 Bank of America Global Research (2021), Payments Processors IT Services; Credit Suisse (2021), AFRM Q3 Results; Asia Pacific/Australia Equity Research; eMarketer (2021), Almost 75% of BNPL users in the US are Gen Z or millennials

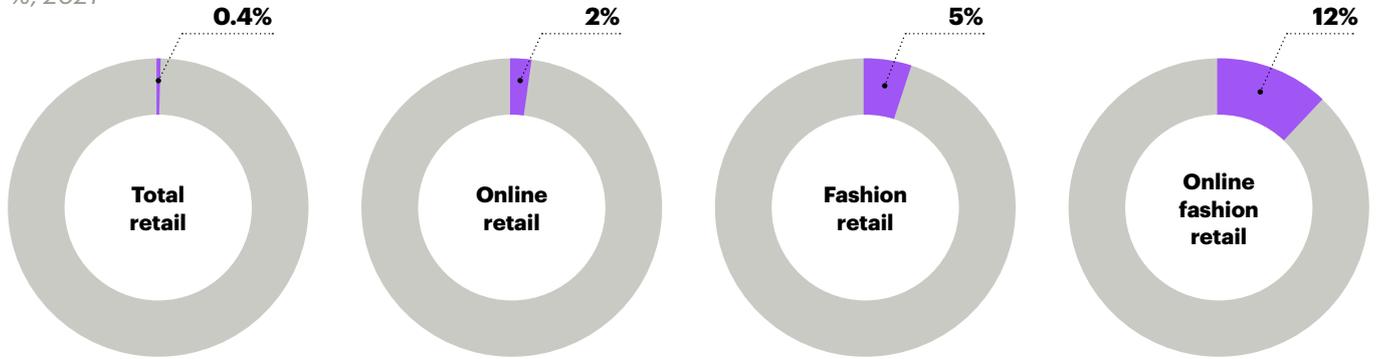
10 McKinsey (2021), Buy now, pay later: Five business models to compete

**EXHIBIT 3**

**BNPL is becoming a significant payment method in online and fashion retail**

**US BNPL market share of payments**

%, 2021



Source: Afterpay data; US Census Bureau (2021); Statista (2021); Accenture analysis

Spending on BNPL has increased rapidly in the past two years – up 230 percent since the start of 2020. This is more than five times the rate of growth for spending using debit (43 percent), and exponentially higher than credit card spend growth (8 percent) (see Exhibit 4).<sup>11</sup>

This growth is expected to continue as the US catches up to more mature BNPL markets such as Australia. At current

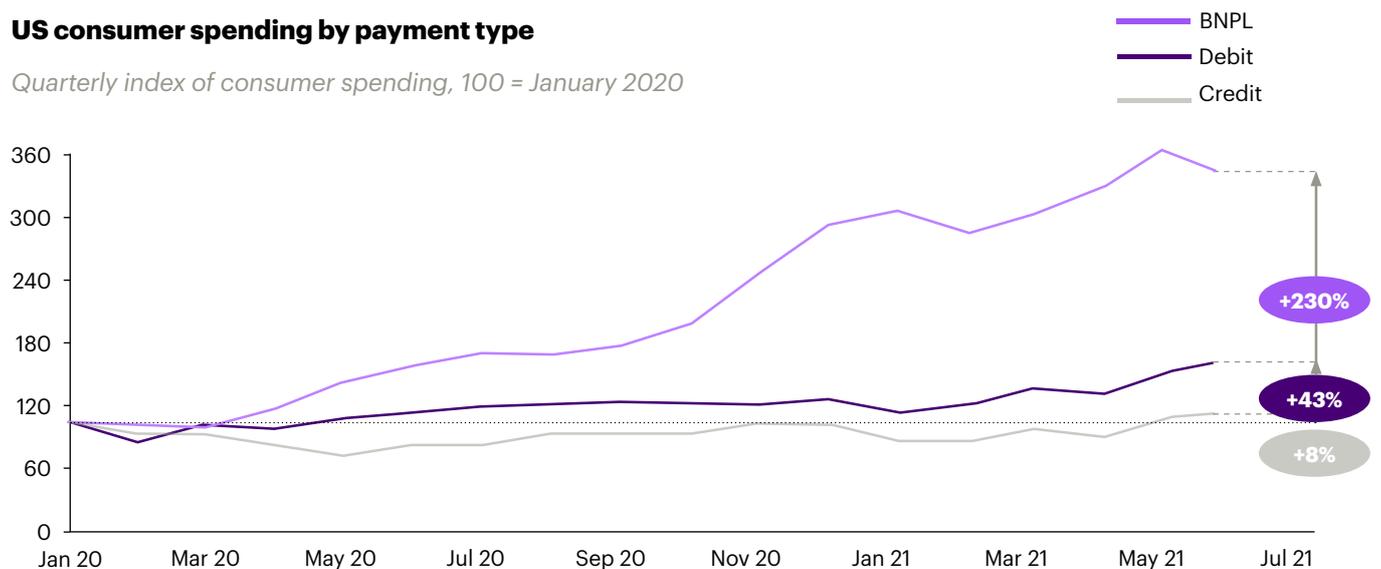
growth rates, BNPL could contribute more than 10 percent of US e-commerce spend by 2024 (equal to \$145 billion), in roughly the same time as it took the Australian market to mature (see Exhibit 5).<sup>12</sup> Australians began spending with BNPL in 2014 after major providers such as Afterpay entered the market. Today, more than 10 percent of Australian e-commerce is paid for using BNPL.<sup>13</sup>

**EXHIBIT 4**

**Spending on BNPL has increased 230% since the start of 2020**

**US consumer spending by payment type**

Quarterly index of consumer spending, 100 = January 2020



Source: Consumer transaction data; Company quarterly release reports; Accenture analysis

<sup>11</sup> Consumer transaction data; Company quarterly release reports; Accenture analysis

<sup>12</sup> Credit Suisse (2021), AFRM Q3 Results; US Census Bureau (2021), Estimated Quarterly U.S. Retail Sales (Adjusted1): Total and E-commerce; Research and Markets (2021), United States Buy Now Pay Later Business and Investment Opportunities (2019-2028) Databook; Payments Journal (2021), In Australia, BNPL is Big, but PayPal is Bigger; Accenture analysis.

<sup>13</sup> Worldpay (2021), Global Payments Report

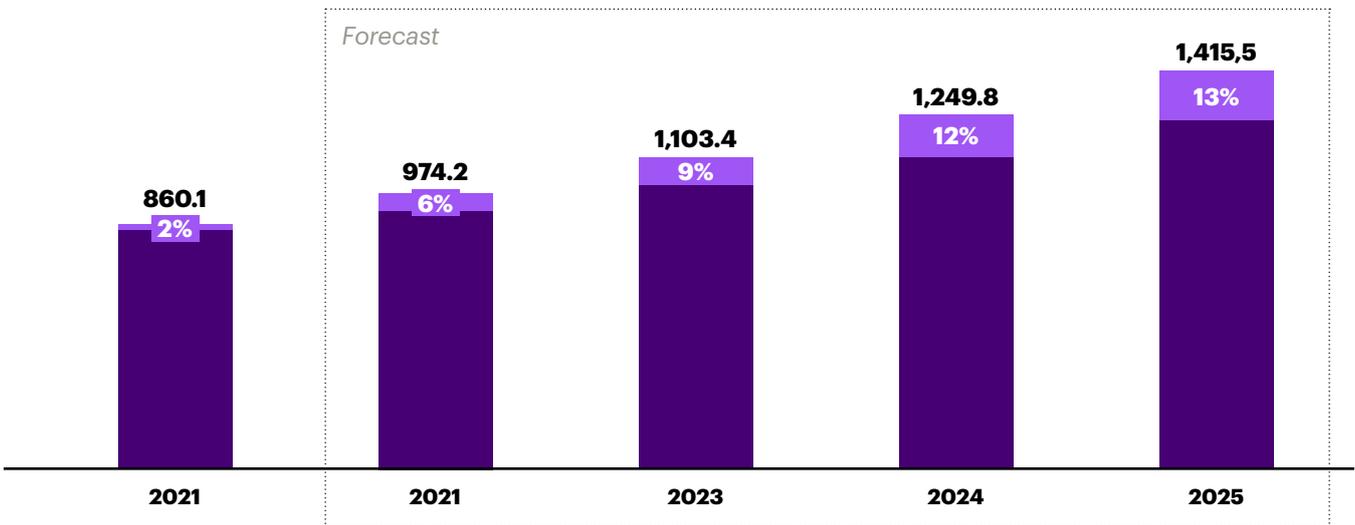
**EXHIBIT 5**

BNPL transactions are expected to reach 10% of all e-commerce by 2024 as the US catches up to more mature markets

**Forecast BNPL share of US e-commerce**

%, US\$ billions

- BNPL gross merchandise value (US)
- E-commerce revenues (US)



Note: E-commerce revenue growth assumed at same rate as 2020-2021.

Source: Credit Suisse (2021), AFRM Q3 Results; US Census Bureau (2021), Estimated Quarterly U.S. Retail Sales (Adjusted1): Total and E-commerce; Research and Markets (2021), United States Buy Now Pay Later Business and Investment Opportunities (2019-2028) Databook; Accenture analysis. Worldpay (2021), Global Payments Report; Payments Journal (2021), In Australia, BNPL is Big, but PayPal is Bigger.

Consumers use BNPL services to make considered purchase decisions. Before making a purchase, 75 percent of BNPL users read product reviews and 69 percent compare prices between websites.<sup>14</sup>

BNPL is most frequently used in four main categories: electronics, fashion, home goods and health and beauty.<sup>15</sup> However, there is huge potential for growth as BNPL is

offered across more spend categories. Unavailability of BNPL in a spend category is the second highest reason a user would choose to use a credit card instead of BNPL, just behind the preference to obtain credit card points.<sup>16</sup> Three quarters of BNPL users are interested in using BNPL for travel purchases and nearly two thirds would use it for vehicle repair, ticketing and dental services (see Exhibit 6).

14 IPSOS survey of US BNPL (Afterpay) users 2021, n = 1,020

15 Bank of America Global Research (2021), Payments, Processors and IT Services

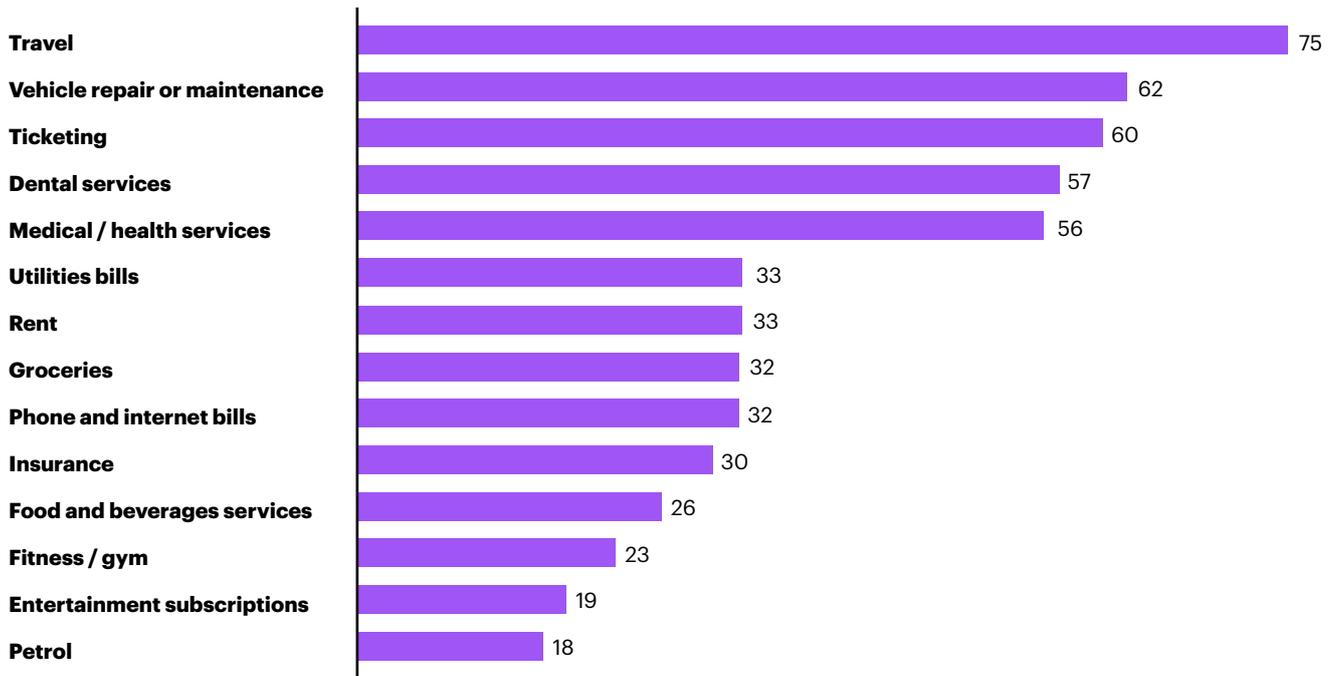
16 IPSOS survey of US BNPL (Afterpay) users 2021, n = 1,020

**EXHIBIT 6**

75% of BNPL users are interested in using BNPL for travel purchases and ~60% for vehicle repair, ticketing and dental

**Consumer preference for future BNPL spend**

% who are interested or very interested in using BNPL to pay for category



Note: Responses do not sum to 100 as respondents could select multiple options.  
 Source: IPSOS survey of US BNPL (Afterpay) users 2021, n = 1,020

**1.3 The consumer surplus from using BNPL is worth \$1.6bn in 2021**

BNPL is becoming the leading choice for many consumers. Consumers prefer to use BNPL as a payment method for a variety of reasons, the most prevalent being because it allows them to pay in installments rather than a lump sum up front (see Exhibit 7).<sup>17</sup> This ability gives a consumer more control over their finances and enables them to make purchases in a way that fits within their own accounting needs, for example to align with salary pay periods or other bills and expenses.

The majority of BNPL users (55 percent) list budgeting support as a key reason for choosing BNPL as spending is easily tracked over time. Distributing the cost of an item across smaller repayments can also make products more affordable, which is the third highest reason consumers choose BNPL.

‘Consumer surplus’ is the value of benefits derived from a product or service. This is the difference between the price a consumer is willing to pay to access a product or service and the price paid – which is zero for most BNPL products. Consumers accrue \$1.6 billion in surplus value per year by using BNPL, equivalent to \$35 per user.

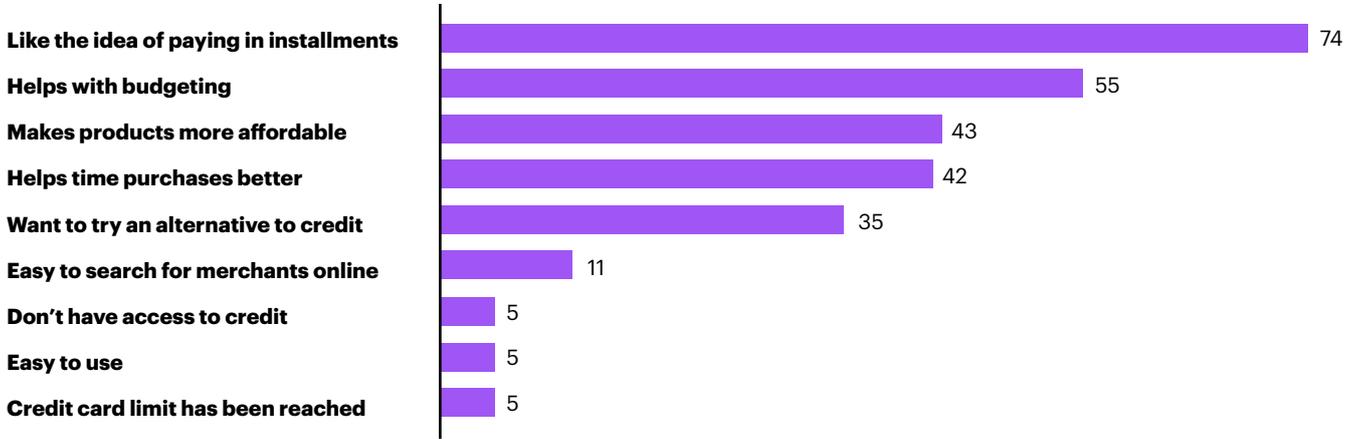
17 IPSOS survey of US BNPL (Afterpay) users 2021, n = 1,020

**EXHIBIT 7**

**Consumers prefer BNPL because they can pay in installments**

**Consumer reasons for using BNPL**

% of users, 2021



Note: Results do not sum to 100 as respondents could select multiple options. Source: IPSOS survey of US BNPL (Afterpay) users 2021, n = 1,020

Average consumer surplus per user is expected to increase as BNPL is adopted across the community. Consumer surplus of BNPL for users without access to credit is estimated to be at least 30 percent higher than the average user.<sup>18</sup>

This consumer benefit is accrued from many BNPL features, including the ability to pay in installments (48 percent of consumer surplus or \$17 per person), access to a convenient alternative to credit (23 percent), budgeting support (18 percent) and online marketplaces (11 percent) (see Exhibit 8).

“I like using BNPL because as a single mother it has helped me so much to buy things I need without stressing. I love how I can split my total into four easy payments, which I prefer over a credit card simply because there is no interest and I only pay for what I spend.”

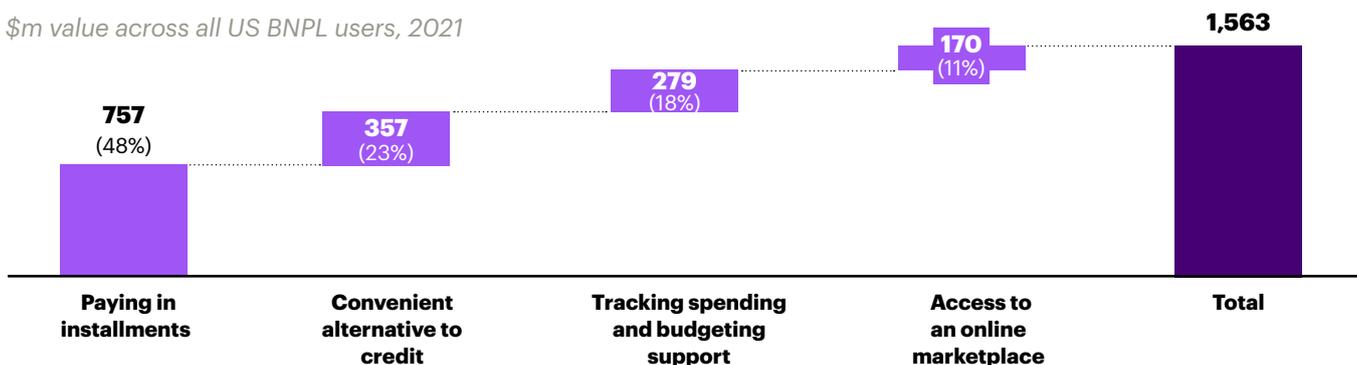
Afterpay user testimonial

**EXHIBIT 8**

**Consumer surplus from using BNPL is worth \$1.6bn in 2021**

**Consumer surplus from using BNPL**

\$m value across all US BNPL users, 2021



Source: IPSOS survey of US BNPL (Afterpay) users 2021, n = 1,020

<sup>18</sup> IPSOS survey of US BNPL (Afterpay) users 2021, n = 1,020

# Afterpay is empowering US consumers to save and spend wisely



Afterpay has been at the center of the transition to BNPL in the US, providing new payment options and connecting a community of merchants to consumers since 2018. Afterpay has become consumers' preferred BNPL option for fashion spending, and is one of the best rated BNPL providers globally.

Afterpay users, particularly those in younger age groups, are choosing not to own credit cards because they want to avoid interest, fees and debt. In 2021, Afterpay users avoided significant additional costs they would have faced if purchasing with traditional credit cards, equivalent to \$459 million in credit card fees and interest. This is a saving of \$6 per Afterpay order.

The most common banking issue for financially vulnerable households is unexpected credit card fees. Vulnerable users with high credit card balances enjoy the greatest benefit from using Afterpay by avoiding the revolving debt incentives built into credit card products.

Improving access to credit for underserved groups, and promoting broader financial inclusion, is possible with new lending technologies like Afterpay. By providing easy, no interest access to credit, vulnerable users are also better able to deal with unexpected emergency expenses like medical bills and are therefore better positioned to avoid financial hardship.



Afterpay is consumers' preferred BNPL provider for **fashion and beauty purchases**



Afterpay fashion sales are **6.5% of US fashion e-commerce sales**



Afterpay users are **twice as likely to make repayments on time** compared to credit card users



Consumers **saved \$459m in fees** when using Afterpay instead of credit cards

## 2.1 Afterpay is consumers’ preferred BNPL provider for fashion purchases, making up 6.5% of US fashion e-commerce in 2021

Afterpay enables consumers to pay for purchases in 4 installments over 6 weeks, interest free. Users can find their payment schedule in the Afterpay app and get sent regular payment reminders. With interest-free installments, the only extra costs are for late payments. For those that pay late, late fees are capped and users cannot make additional purchases through Afterpay until their account is settled. This breaks the cycle of revolving debt enabled by traditional credit products such as credit cards.

After entering the US market in 2018, Afterpay has been a market leader in delivering BNPL services to US consumers. Afterpay is consumers’ preferred BNPL provider for fashion and beauty purchases,<sup>19</sup> and fashion sales make up 77 percent of Afterpay payments. This is equivalent to 6.5 percent of total fashion e-commerce sales in the US (see Exhibit 9).<sup>20</sup>

Afterpay leads competitors in rankings, ratings and customer satisfaction on US app stores. Afterpay’s Apple store ranking is consistently higher than competitors and it has 98 percent positive reviews on Google Play.<sup>21</sup>

“Being a huge sneakerhead, Afterpay has given me the opportunity to help me grow my collection much easier than it would have been without them. I love that I don’t have to wait several months to save enough to buy that pair I have to have – the convenience and ease of paying for that pair over time is a match made in sneaker heaven!”

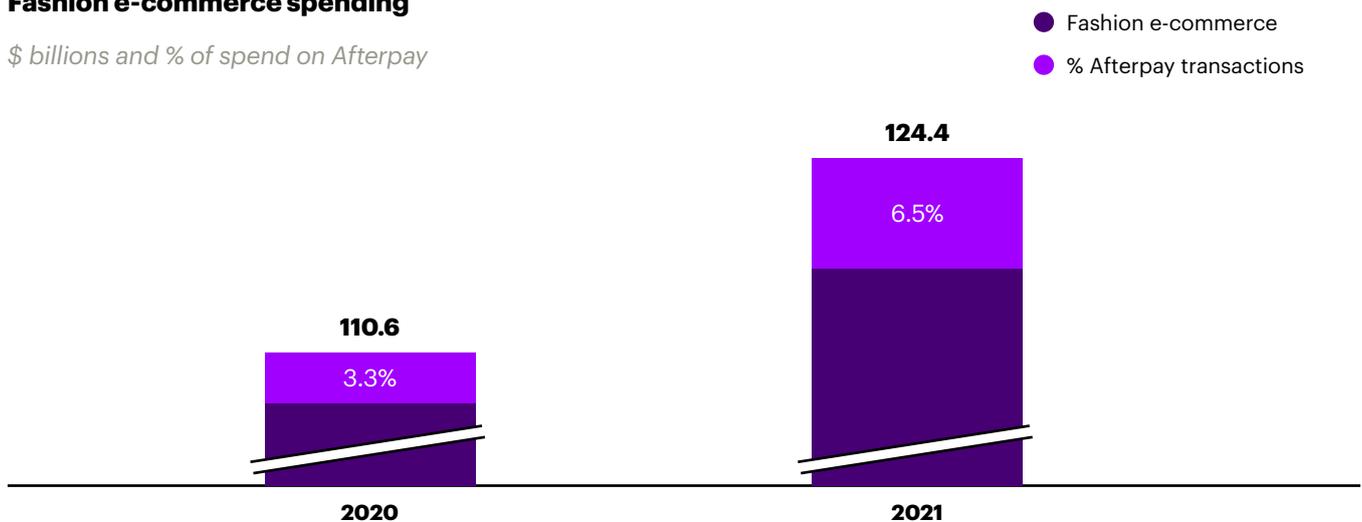
Afterpay user testimonial

### EXHIBIT 9

## Afterpay fashion transactions are 6.5% of all fashion e-commerce in the US

### Fashion e-commerce spending

\$ billions and % of spend on Afterpay



Source: Afterpay data; Statista; Accenture analysis

<sup>19</sup> Bank of America Global Research (2021), Payments, Processors & IT Services

<sup>20</sup> Afterpay data; Statista; Accenture analysis

<sup>21</sup> SensorTower Apple Top Charts (2021) as of July 2021; Sensor Tower US App and Google Play charts as of May 2021; Macquarie Research, SimilarWeb app data; SensorTower Android Review API, as of May 2021

## 2.2 Consumers save up to \$459m in credit card fees by making purchases with Afterpay, equivalent to \$6 per order

Afterpay’s transparent fee structure and user resources attract financially savvy consumers, and support a user’s ability to personally manage their finances. Afterpay users have a stronger understanding of interest than the average American. When asked a standardized question on interest-related financial literacy, 81 percent of Afterpay users answered correctly compared to 73 percent of the general US population.<sup>22</sup>

Afterpay users are choosing not to own credit cards because they want to avoid interest, fees and debt. Younger age groups are most concerned about interest and fees, with 52 percent of 18 to 24 year olds listing this as a key reason for not owning a credit card. 36 percent of Afterpay users in this age group also avoid credit cards because they are concerned about accruing too much debt.<sup>23</sup>

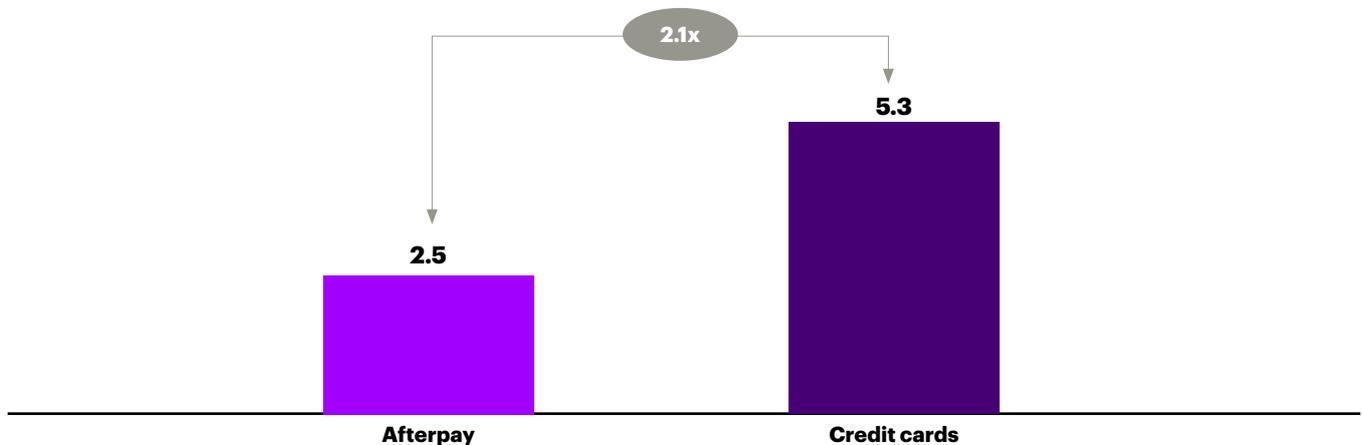
These concerns about revolving credit are reflected in the repayment behavior of Afterpay users, as Afterpay users are more than twice as likely to make repayments on time compared to credit card users (see Exhibit 10).<sup>24</sup>

### EXHIBIT 10

## Afterpay users are more than twice as likely to make repayments on time compared to credit card users

### Serious credit card delinquencies in the US compared to Afterpay orders

*% population credit cards 90+ days delinquent, % Afterpay orders 90+ days overdue*



Source: Federal Reserve of New York – Center for Microeconomic Data & Experian (2021); Investopedia (2021); Afterpay data; Accenture analysis

22 Note: Standardized interest-related financial literacy question asked: “Suppose you had \$100 in a savings account and the interest rate was 2 percent per year. After five years, how much do you think you would have in the account if you left the money to grow?” (Correct answer: More than \$102). IPSOS survey of US BNPL (Afterpay) users 2021, n = 1,020; US Federal Reserve (2021), Economic Wellbeing of US Households; Accenture analysis

23 IPSOS survey of US BNPL (Afterpay) users 2021, n = 1,020

24 Federal Reserve of New York – Center for Microeconomic Data & Experian (2021); Investopedia (2021); Afterpay data; Accenture analysis

## 2. Afterpay is empowering US consumers to save and spend wisely

Afterpay users are also protected from the high costs of traditional credit products. For example, the effective rate of credit cards, or the total cost of a credit card, can be calculated based on the nominal interest rate paid on the credit card balance plus any account establishment or keeping fees and late fees.

When all of these costs are accounted for, the effective rate of credit card costs in the US is approximately 4.4 percent of purchase value.<sup>25</sup> On the other hand, Afterpay users only pay late fees on overdue installments. The average value of late fees for Afterpay users in the US is 0.1 percent of the purchase price (see Exhibit 11).<sup>26</sup>

As a result, consumers could save up to \$459 million in credit card fees and interest by making purchases with Afterpay, equivalent to \$6 per order. This is the value of the savings if all Afterpay purchases were made using a credit card (see Exhibit 11).

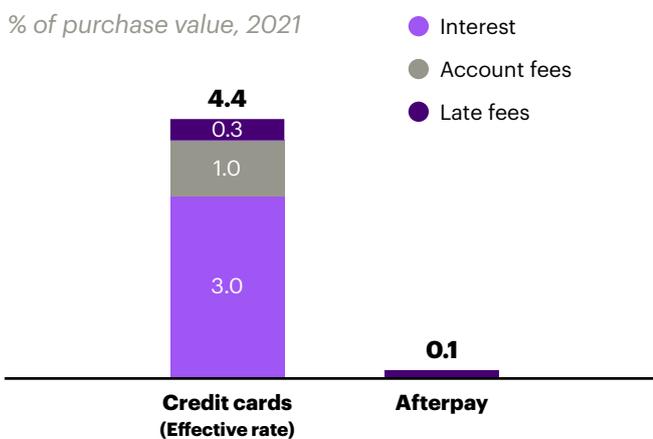
“I love Afterpay because it has all of the stores I love and it has helped me make large purchases with lower amounts of money. I love the fact that it doesn’t ruin people’s credit and makes it easier to shop without maxing out a credit card. I’ve used Afterpay for many years and I have loved seeing it grow, adding more stores and different incentives for consumers.”

Afterpay user testimonial

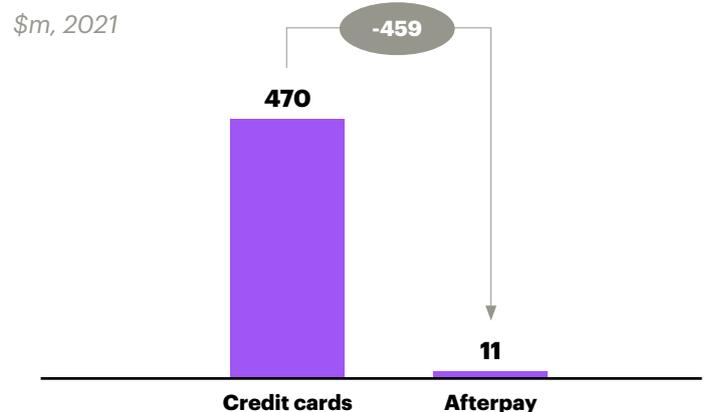
### EXHIBIT 11

Consumers save up to \$459m in credit card fees by making purchases with Afterpay, equivalent to \$6 per order

#### Fees on credit cards and Afterpay across all consumers



#### Cost of fees if all Afterpay sales were made on credit cards



Note: Credit card rate is the effective rate of interest on purchases as opposed to the nominal rate  
 Source: Afterpay data; New York Fed Consumer Credit Panel/Equifax data; Federal Reserve Bank of St. Louis economic data; US Bureau of Consumer Financial Protection; Accenture analysis

25 New York Fed Consumer Credit Panel/Equifax data; Federal Reserve Bank of St. Louis economic data; US Bureau of Consumer Financial Protection; Accenture analysis

26 Afterpay data

## CASE STUDY

### Financial Technology Association

The Financial Technology Association (FTA) is a non-profit trade organization that educates consumers, regulators, policymakers, and industry stakeholders on the value of technology-centered financial services and advocates for the modernization of financial regulation to support inclusion and innovation.

“The rapid adoption of Buy Now, Pay Later (BNPL) has been amazing to watch,” says Penny Lee, CEO of the FTA.

“Consumers are using BNPL solutions as a financially conscious way to manage their spending - most users actually have the capacity in their bank account to pay five times the total purchase amount but choose to use BNPL products to budget and manage their personal finances better. For example, they use BNPL services for their repayment flexibility and ability to match expenses to their cash flow, such as bi-weekly or monthly salary payments. The ability to pay in installments can be part of a prudent financial strategy, resulting in less debt and better control of personal finances.

BNPL products are also very attractive compared to credit cards as consumers can make the same purchases as they usually would, but with prompt required repayment and substantially lower fees. Absent such consumer-centric solutions, consumers might also take out payday loans at exorbitant rates or deepen their debt on high-interest-bearing credit cards to cover costs. BNPL firms offer these consumers the ability to purchase items more affordably.

Providing low-cost options is particularly relevant for the substantial unbanked and underbanked community in the U.S. We are starting to see a shift away from traditional credit metrics, with lenders – frequently in partnership with fintech innovators – looking beyond credit scores to generate a more comprehensive view of the consumer. Unbanked and underbanked groups that would have otherwise been denied access to capital can now make more considered purchases through BNPL products and secure access to mortgages and even small business loans through other tech-based lenders.

From the FTA’s perspective, our BNPL firms are committed to advancing industry standards that safeguard consumers and provide transparent information about their services. They are subject to many regulations including fair lending, credit reporting, and anti-money laundering. As these companies continue to innovate, we look forward to working together with industry and policymakers to modernize regulations. This will allow us to continue to drive meaningful change in financial services for those that need it most.”

*Stakeholder consultation conducted by Accenture, August 2021*



**“The ability to pay in installments can be part of a prudent financial strategy, resulting in less debt and better control of personal finances.”**

### 2.3 Afterpay enables financial inclusion for people who don't have access to credit

Almost one in five American adults are unbanked or underbanked, meaning they rely on alternative financial services, such as payday loans and advances, to meet their financial needs.<sup>27</sup> This puts them at risk of high-interest, predatory loan schemes and revolving credit.

In addition, 54 percent of US consumers currently live paycheck to paycheck.<sup>28</sup> Millennials are the most likely age group to be in this situation (69 percent), with 33 percent living paycheck to paycheck and also struggling to pay bills.

As a result, unexpected expenses such as a flat tire or a medical bill can trigger financial hardship for many households. Only 64 percent of American adults are able to pay a hypothetical \$400 emergency expense with cash or savings. 12 percent of adults are unable to pay this expense at all, with the remainder relying on different forms of borrowing.<sup>29</sup> Inability to pay emergency expenses increases for Black and Hispanic Americans (17 percent and 13 percent unable to pay respectively) and low income Americans (23 percent of individuals earning less than \$50,000 would be unable to pay for this expense).

Access to credit in these situations can relieve a significant burden on economically vulnerable individuals, as well as providing future opportunities to invest in education, employment and insurance. However, 39 percent of individuals earning less than \$50,000 who applied for credit in 2020 were rejected, and a further 9 percent received less than requested.<sup>30</sup> This proportion increases for low income Black or Hispanic Americans, with approximately 50 percent of these groups denied credit. Black and Hispanic adults are consistently more likely to be denied access to credit even in high income brackets.<sup>31</sup>

Improving access to credit for underserved groups, and promoting broader financial inclusion, is possible with new lending technologies and data structures such as BNPL. These technologies use new methods of credit risk assessment and data collection to capture more information on consumer income and spending habits, which provide a more comprehensive view of credit risk and enable lending to traditionally marginalized groups.

When Afterpay users are faced with the hypothetical \$400 emergency expense, only 8 percent of Afterpay users would be completely unable to pay for the expense - much lower than the 12 percent population average.<sup>32</sup> Black and Hispanic Afterpay users report as being unable to pay for an emergency expense at a lower rate than the average for each cohort - 11 percent of Black Afterpay users would be unable to pay an emergency expense, compared to 17 percent for the average Black population, and 7 percent of Hispanic Afterpay users would be unable to pay this expense, compared to 13 percent on average. Low income Afterpay users are also in a better position to deal with emergency expenses, with just 10 percent unable to pay compared to the 23 percent average (see Exhibit 12).<sup>33</sup>

**“Being a mom of two and a college student, Afterpay lets me buy all of the stuff my kids need and want without having to worry about breaking the bank. I’ve been using it since 2018, and it’s been the best decision ever.”**

**Afterpay user testimonial**

27 Federal Reserve (2021), Economic Wellbeing of US Households in 2020

28 PYMNTS | LendingClub (2021), Reality Check: The Paycheck-To-Paycheck Report

29 Federal Reserve (2021), Economic Wellbeing of US Households in 2020

30 Federal Reserve (2021), Economic Wellbeing of US Households in 2020

31 Federal Reserve (2021), Economic Wellbeing of US Households in 2020

32 IPSOS survey of US BNPL (Afterpay) users 2021, n = 1,020; Federal Reserve (2021), Economic Wellbeing of US Households in 2020

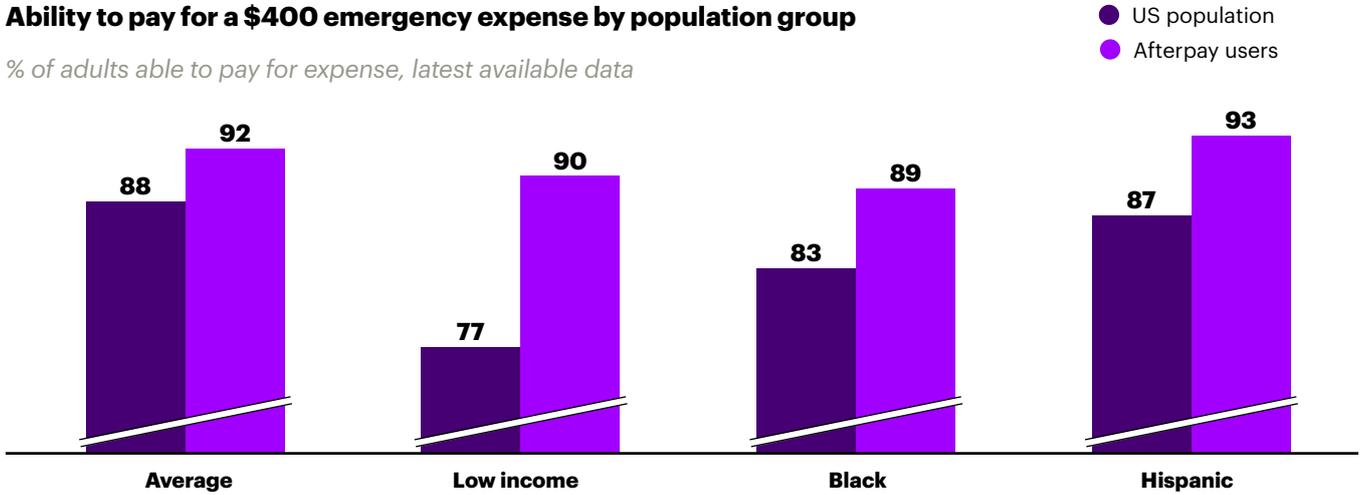
33 IPSOS survey of US BNPL (Afterpay) users 2021, n = 1,020; Federal Reserve (2021), Economic Wellbeing of US Households in 2020

**EXHIBIT 12**

Improving access to credit for underserved groups is possible with new lending technologies such as Afterpay

**Ability to pay for a \$400 emergency expense by population group**

% of adults able to pay for expense, latest available data



Source: IPSOS survey of US BNPL (Afterpay) users 2021, n = 1,020; Federal Reserve (2021), Economic Wellbeing of US Households in 2020

The most common banking issue for financially vulnerable households is unexpected credit card fees.<sup>34</sup> These households spend an average of 13 percent of their income on fees and interest, and report an average credit card balance of \$7,400 compared to \$4,000 for financially healthy households.<sup>35</sup>

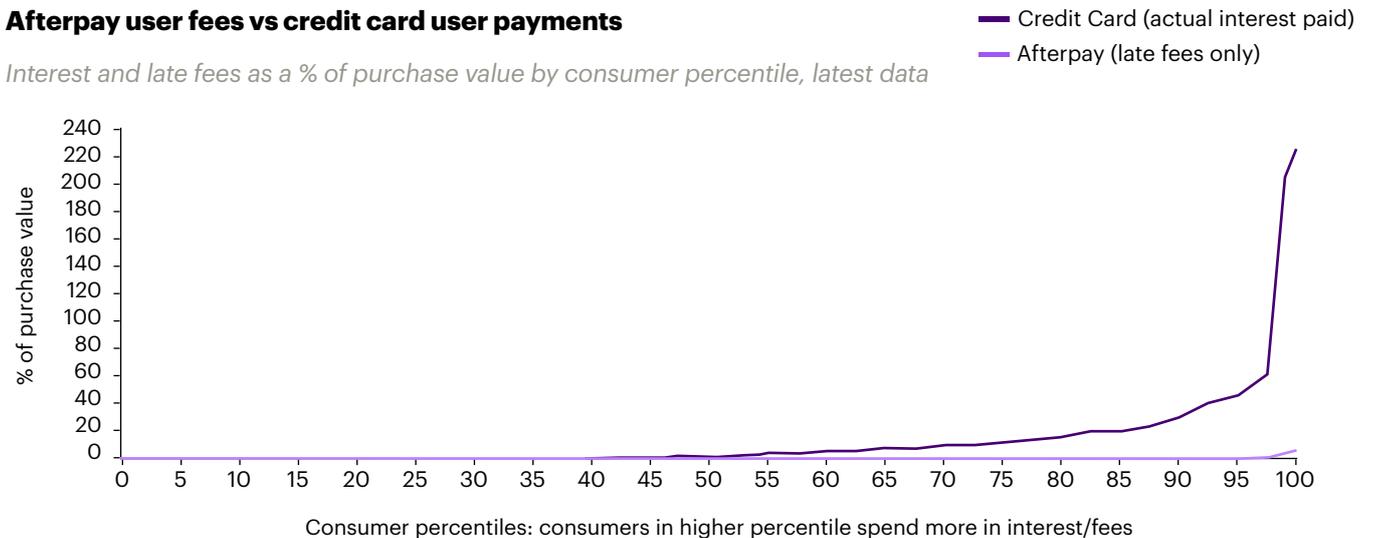
As a result, vulnerable people benefit most from using Afterpay by avoiding costs of revolving debt. Credit card users in the highest percentile (or those with the highest credit card balance) are paying up to 225 percent of purchase value in interest expenses, compared to 6 percent for Afterpay users in this percentile (those with the highest rate of late fees) (see Exhibit 13).<sup>36</sup> In fact, Afterpay users have lower fees in every fee percentile.

**EXHIBIT 13**

Vulnerable persons benefit most from using Afterpay by avoiding costs of revolving debt

**Afterpay user fees vs credit card user payments**

Interest and late fees as a % of purchase value by consumer percentile, latest data



Note: 100th percentile = consumers who paid the highest interest or late fees as a percent of purchase value

Source: Federal Reserve Economic Data; University of Michigan, Panel Study of Income Dynamics; Afterpay data; Accenture analysis

34 Federal Reserve (2021), Economic Wellbeing of US Households in 2020

35 Financial Health Network (2021), The FinHealth Spend Report 2021

36 Federal Reserve Economic Data; University of Michigan, Panel Study of Income Dynamics; Afterpay data; Accenture analysis

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# Afterpay is supporting the growth of American businesses and creating jobs in the economy



3.

US consumers are demanding more flexibility in how they shop. For example, US e-commerce sales have increased 15 percent each year since 2015, with a 30 percent spike in growth during the COVID-19 pandemic.<sup>37</sup>

To adapt to this shift, most retailers have an online presence and many are using new point-of-sale offerings like BNPL to increase customer exposure, improve customer experience and boost sales.<sup>38</sup>

Afterpay has been a key player in the shift towards novel retail platforms and payment technologies. It has understood the needs of its increasingly value-conscious user base and empowered its merchant partners to develop offerings that meet these needs.

Afterpay's 26,000 US merchant partners enjoy several benefits from using Afterpay, from driving incremental sales to increasing average order values and attracting new customers. Afterpay merchants also benefit from

the provision of marketing support, technical support and online learning opportunities.<sup>39</sup> These benefits are particularly pronounced for the 24,400 small and medium sized businesses partnered with Afterpay.

This has culminated in approximately \$4.5 billion in net benefits for Afterpay merchants in 2021.

Afterpay and its merchant partners have also made a substantial contribution to the US economy, supporting more than 70,000 jobs through 2021 from increased transaction volumes and broader economic spending.



Afterpay **generated \$8.2bn in total sales** for 26,000 American merchants in 2021



US merchants **derive \$4.5bn in net benefits from Afterpay** through incremental sales and cost efficiencies



**24,400 American small and medium-sized businesses (SMBs)** enjoyed \$1.2bn in net benefits



Afterpay merchants experience an **11% increase in profit margin** from pre-Afterpay levels



Basket sizes are **17% higher in value** compared to pre-Afterpay levels



Afterpay merchants **gain 13% more new customers**



Spending by consumers on Afterpay supported **70,000 jobs** across the economy

37 US Census Bureau (2021), Latest Quarterly E-commerce Report

38 Alexandra Tachalova, Business.com (2018), Make more sales with E-commerce payment options

39 Afterpay (2021)

### 3.1 Afterpay partners with the greatest number of merchants amongst US BNPL providers

There are six key BNPL providers in the US market which partner with more than 64,600 retailers.<sup>40</sup> Afterpay has the largest merchant partnership structure in the US, and is actively partnered with 40 percent of these merchants (26,000). This has enabled Afterpay to create a two-sided platform with strong network effects between consumers and retailers. This network effect empowers and creates value for both sides of the economic equation. From the biggest global enterprises to local SMB start-ups, Afterpay connects them to the next generation of consumers.

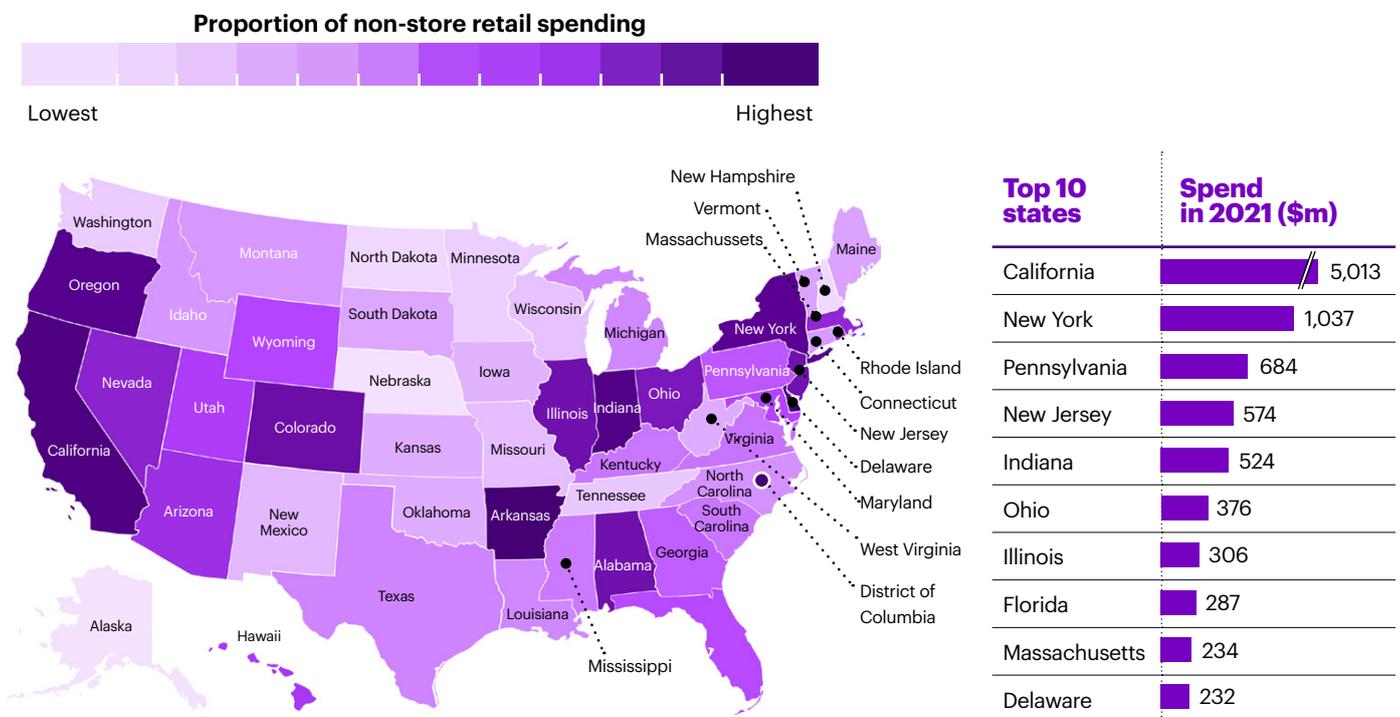
Afterpay spend is distributed amongst merchants throughout the US, with the highest rates of spending on California and New York based businesses in 2021 (\$1 billion). However, Afterpay spend is also a significant proportion of non-store retail spending in other states such as Colorado, Arkansas, Indiana and Alabama (see Exhibit 14).

#### EXHIBIT 14

### Afterpay spending represents the highest proportion of non-store retail spending in Arkansas, Delaware and California

#### Proportion of Afterpay spend to total non-store retail spend by State

%, 2021 (projected)



Note: Location is based on merchant registered address with Afterpay  
 Source: Afterpay transaction data; Accenture analysis

40 There are approximately 14 BNPL providers operating in the US but 6 firms have majority market share.

Afterpay drives meaningful top and bottom-line improvement for the merchant, without burdening the consumer with hidden costs or interest. As part of this, Afterpay is continuing to build out services and tools to help merchants grow their business.

Afterpay hosts the largest online BNPL marketplace with approximately 6,300 retailers – over 1.5 times the next

largest BNPL provider (see Exhibit 15).<sup>41</sup> Around 24,420 of its total merchant partners are small-medium businesses (SMBs), with the remaining merchants split between mid-market and enterprise size.

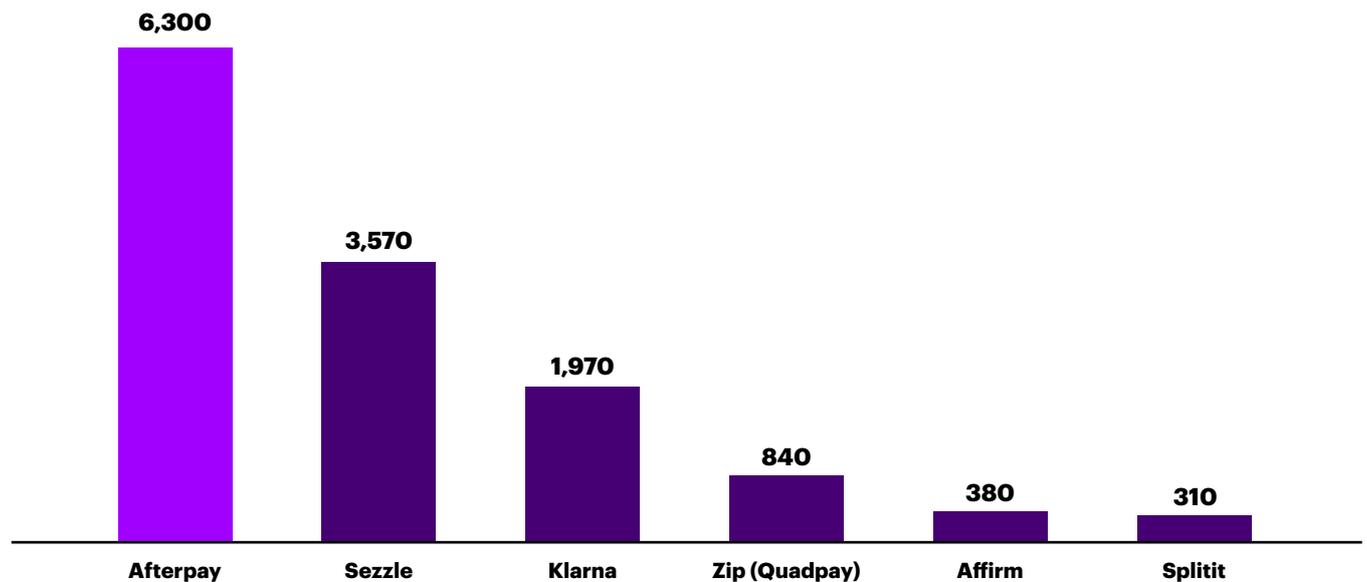
The Afterpay online marketplace is key in driving website traffic to merchant sites and improving customer exposure.

**EXHIBIT 15**

**Afterpay hosts the largest online BNPL marketplace with 6,300 merchants listed on its store directory**

**Merchants listed on BNPL provider store directories**

*Number of US merchants, as at 1 September 2021*



*Source: Accenture analysis; Various merchant reports, press releases and webscrape as at 1 September 2021. Due to changes in the nature of Affirm's website, the web-scrape is current as of May 2021.*

<sup>41</sup> The number of merchants listed on the store directory was obtained via web-scraping and is current as of 1 September 2021. Due to changes in the nature of Affirm's website, the web-scrape is current as of May 2021. Copyright © 2021 Accenture. All rights reserved.

### 3. Afterpay is supporting the growth of American businesses and creating jobs in the economy

Afterpay leads the market for merchant diversity, with approximately double the number of small and Black-owned businesses promoted on its store directory as its competitors (see Exhibit 16). Both categories are prominently featured on the main page of Afterpay's shop directory, ensuring that consumers wanting to contribute to the growth and development of these

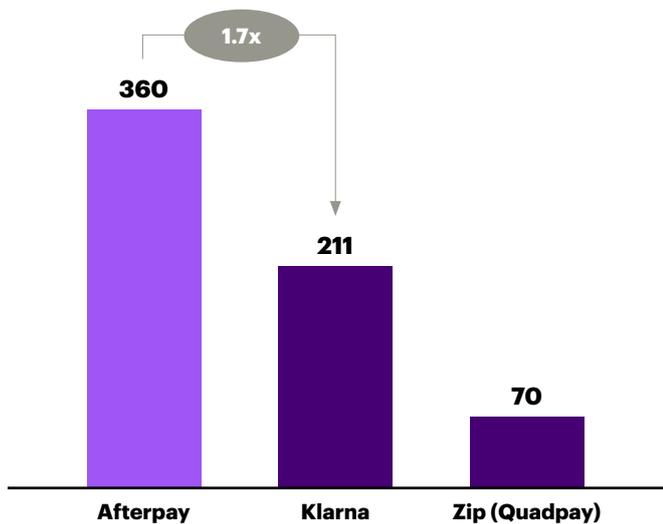
businesses are easily able to view stores and make purchases. Support for these merchants is increasingly important to improve cash flow management and credit building, develop local economies, and promote generational wealth.<sup>42</sup>

#### EXHIBIT 16

### Afterpay leads in merchant diversity by promoting twice as many small and Black-owned businesses as its competitors

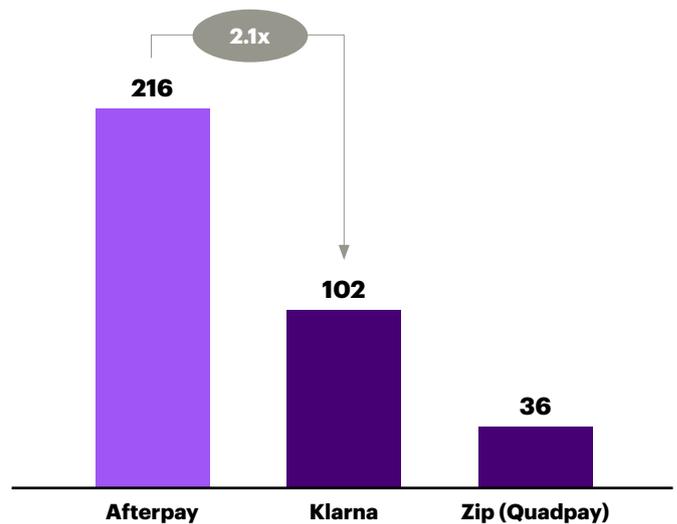
#### Small businesses on BNPL store directories

Number listed on store directory, 1 September 2021



#### Black-owned businesses on BNPL store directories

Number listed on store directory, 1 September 2021



Source: Accenture analysis; Webscrape as at 1 September 2021

Afterpay is continuing to build out services and tools to help merchants grow their business. This includes the development of Afterpay iQ, that puts customer-centric analytics directly in the hands of merchants to help optimize investment and drive growth. Some Afterpay merchants will receive access to Afterpay iQ, an analytics platform which provides:

**Easy Data:** AI-powered insights, visualizations, and real-time data delivered in one, highly accessible self-service user interface.

**Single Source Data:** allowing retailers to evaluate marketing performance, omnichannel shopping volumes, payments conversion and demographic information all the way down to the store level.

**Next Best Actions:** A recommendation engine offering insightful actions to optimize business performance based on analytics.

42 Andre Perry and Carl Romer (2020), To expand the economy, invest in Black businesses, The Brookings Institution

## CASE STUDY

### McMullen

When Sherri McMullen opened her eponymous fashion boutique in the California city of Oakland, she was determined to create a business that reflected her values. That meant designing a stylish space that could host community events and champion emerging designers as well as designers of color. It also meant ensuring that the boutique was as inclusive and welcoming as possible for her customers.

As a Black woman, McMullen believes that highlighting and investing in designers of color is both a responsibility and an opportunity.

“When you come to my store, you truly get a sense that this is a space for us. It’s for everyone, but as a Black person you can see yourself in this space,” says McMullen.

On the boutique’s website, Black designers are given prominence, and the store’s social media spotlights a number of Black influencers.

This mix of style and community-driven inclusivity has made McMullen one of the country’s most respected fashion entrepreneurs, with her boutique regularly celebrated in the pages of the same fashion magazines that feature the high-end designers she carries.

It’s also proved to be the foundation of a smart business strategy. McMullen says customers frequently tell her they were drawn in by the chance to support Black-owned brands. Meanwhile, styles from designers of color are the fastest-selling in the store.

Like all retailers, McMullen has been challenged by the pandemic. But the boutique owner believes that small businesses have the advantage of being able to shift quickly in difficult times. “Last year was a really scary time for so many of us, yet we were able to still reach our customers through our online channels and through social media,” she says.

For McMullen that meant leaning into e-commerce and social media (the store boasts more than 42,000 Instagram followers).

McMullen says that Afterpay has helped expand her store’s audience online. “We’ve definitely seen an increase in a younger demographic. We’re able to see that we can reach more consumers by allowing more flexibility with payments. It’s been wonderful. It was a great opportunity to be able to reach a new audience and gain more sales and more revenue by offering it.”

**“We’ve definitely seen an increase in a younger demographic. We’re able to see that we can reach more consumers by allowing more flexibility with payments.”**



### 3.2 Merchants using Afterpay gain \$4.5bn in net benefits in 2021

#### Net benefits

US Afterpay merchants accrued \$4.5 billion in net benefits in 2021. This benefit will continue to grow as BNPL and Afterpay become an increasingly preferred payment option in the US.

The gross merchant benefits from using Afterpay, comprising incremental sales and cost efficiencies, total approximately \$8.8 billion (see Exhibit 17). Incremental sales represent the ‘new revenue’ that Afterpay has helped its merchants generate, over and above their sales through non-Afterpay channels. Cost efficiencies are the result of

Afterpay’s ability to reduce the cost of doing business for its merchants. This includes customer servicing, customer acquisition, marketing and more.

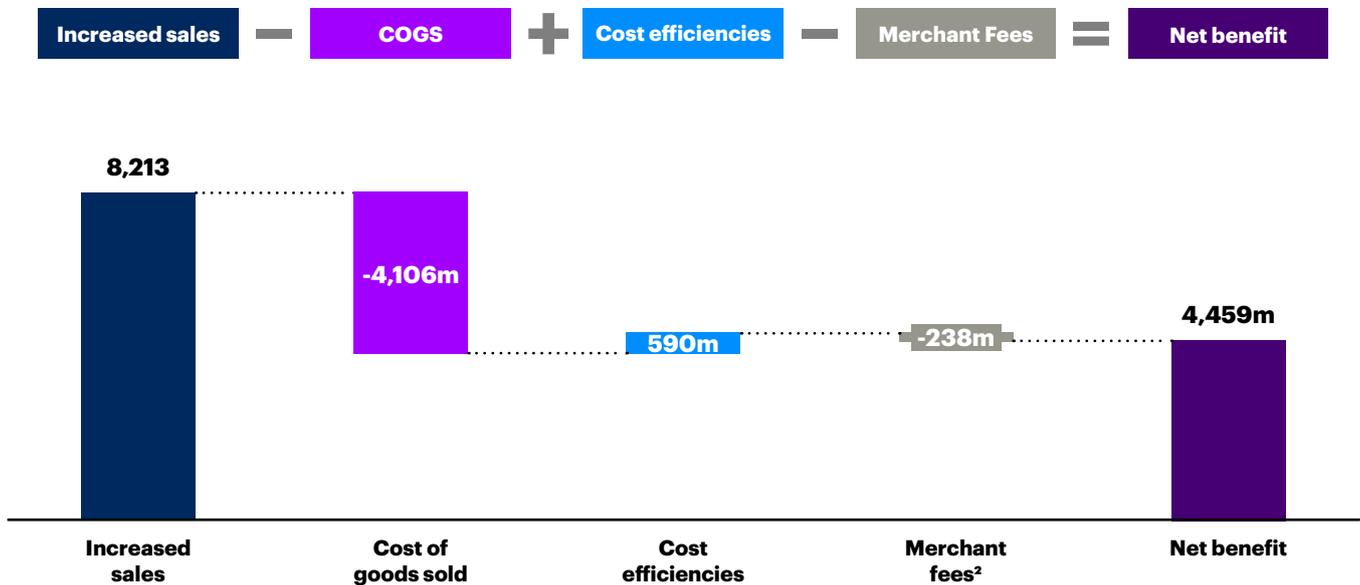
Net economic benefit created by Afterpay is concentrated in and around major cities such as San Francisco, Los Angeles and New York.<sup>43</sup> Merchants headquartered in these areas derive 45 percent of benefits, equivalent to \$2 billion in 2021 (see Exhibit 18). Merchants in Indianapolis, Philadelphia, Columbus and Chicago each derive more than \$100 million in net economic benefits per year. Those in smaller state capitals like Little Rock still enjoy significant economic benefits, ranking eighth and equivalent to \$85 million in 2021.

#### EXHIBIT 17

### Afterpay has delivered \$4.5bn in net benefits to US merchants in 2021

#### Breakdown of benefits for US merchants partnered with Afterpay

\$ millions across all US merchants, 2021<sup>1</sup>



Note:

1 Components of net benefits are derived using full-year projections of sales and cost efficiencies in 2021, which leverage Afterpay transaction data.

2 Merchant fee refers to the additional fee that is paid by merchants using Afterpay, over and above the fee that would have been paid if those sales had occurred via debit or credit card. Merchant fee does not refer to Afterpay’s take rate on transactions.

Source: IPSOS Survey of Afterpay merchants (2021), n=700; Afterpay transaction data; Accenture analysis

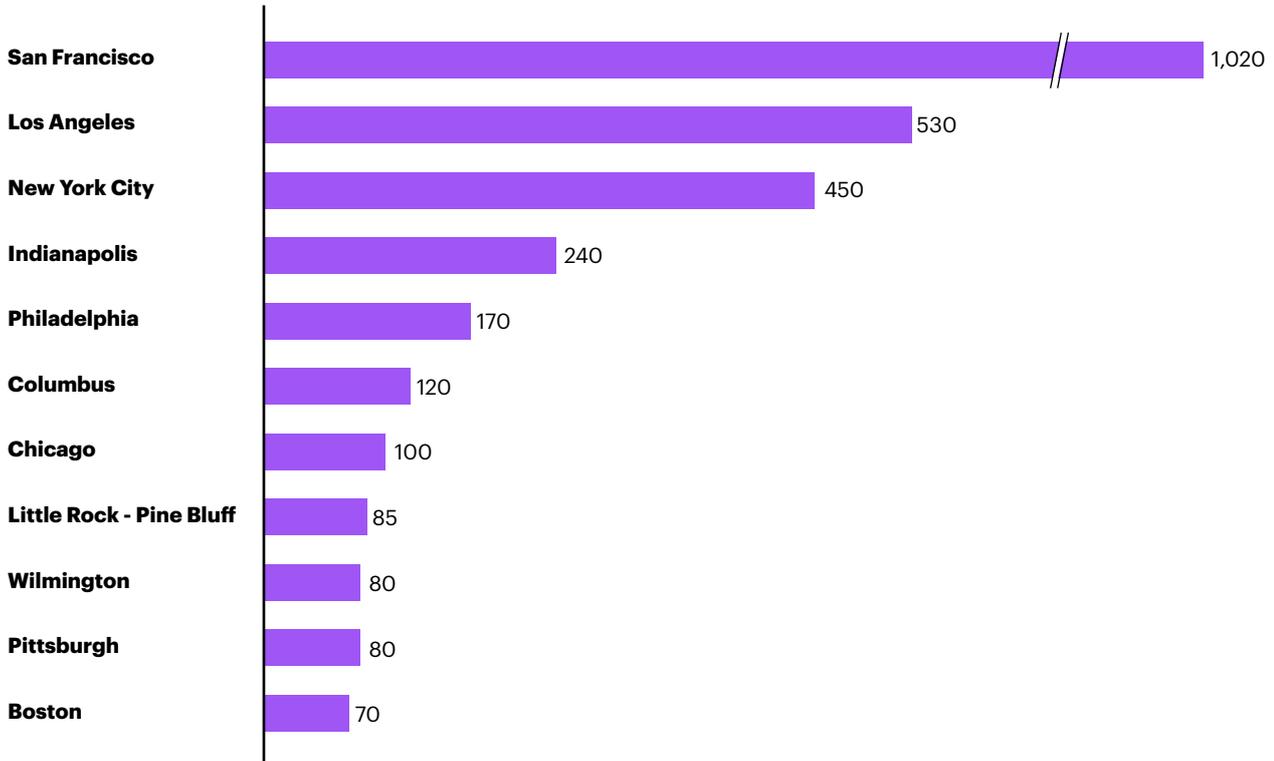
43 Economic analysis is based on the designated media areas (DMAs) for these regions

**EXHIBIT 18**

**Net economic benefit is distributed across the US**

**Net benefit generated by Afterpay merchants located in top 10 designated media areas**

\$ million net benefit, 2021



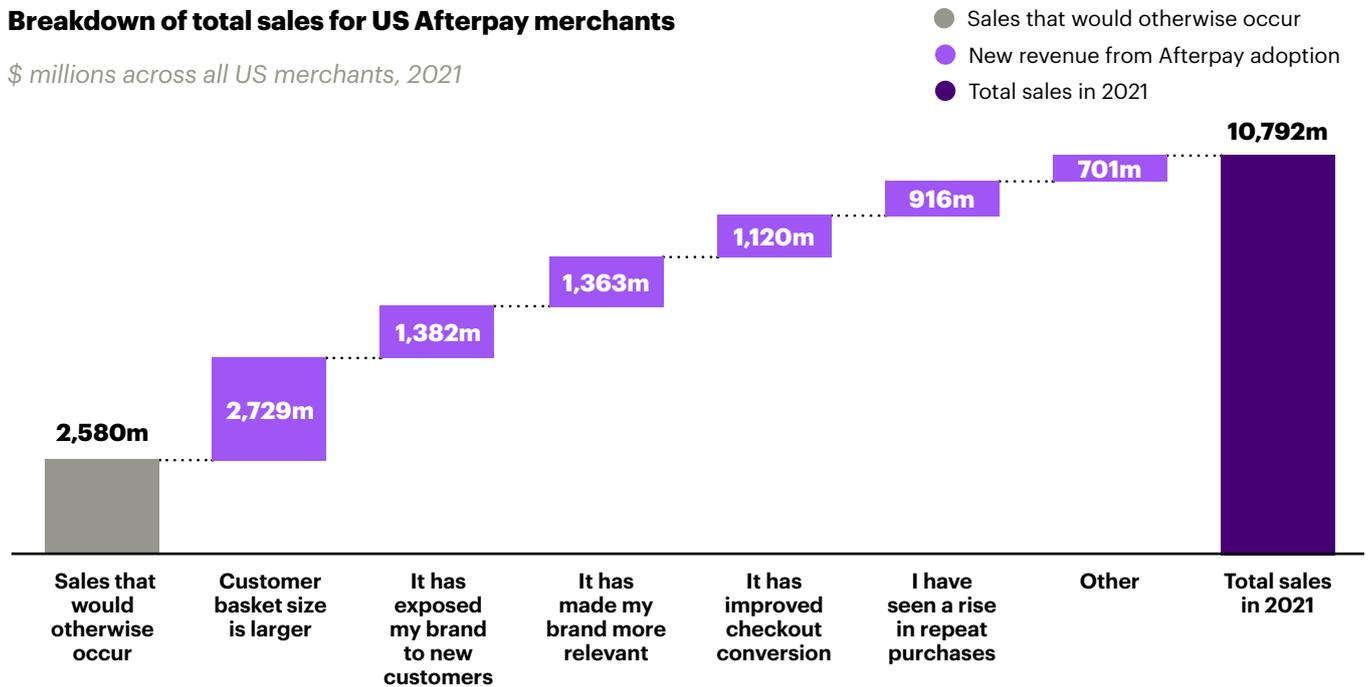
Note: Location based on merchant's registered address with Afterpay  
Source: Afterpay transaction data; US Census Bureau Monthly Retail Trade data; Accenture analysis

**EXHIBIT 19**

**Afterpay has helped US merchants generate \$8.2bn in new revenue in 2021**

**Breakdown of total sales for US Afterpay merchants**

\$ millions across all US merchants, 2021



Note: Total 2021 sales are modelled using historical Afterpay transaction data; larger basket size is comprised of itself and easiness to upsell; greater brand relevance is comprised of itself and greater customer engagement  
 Source: IPSOS Survey of Afterpay merchants (2021), n=700; Afterpay transaction data; Accenture analysis

**Incremental sales**

US Afterpay merchants derived \$8.2 billion in new revenue in 2021 (see Exhibit 19). For the average merchant, this means an 11 percent increase in profit margin from pre-Afterpay levels.

Merchants have accrued benefits in many key areas that drive business growth, including:

- 1. Larger customer basket size:** Customer control over payments removes barriers to purchase at checkout and gives customers confidence to increase purchase value.
- 2. Exposure to new customers:** Afterpay’s user community is particularly strong, allowing merchants of all sizes to leverage Afterpay’s trusted online shop directory to increase exposure to new customers.
- 3. Increased brand relevance and customer engagement:** The result of this connection with the community is brand relevance. Afterpay users see merchant partners, no matter the size or product, as trusted and relevant. Millennials and Gen Z users, who are becoming increasingly value conscious and comprise the majority of Afterpay’s user base, are continuing to make purchases through Afterpay and this is only expected to grow.

- 4. Improved checkout conversion:** More checkout options and more seamless experiences at checkout directly relate to improved checkout conversion rates. In addition to the availability of Afterpay at the point-of-sale, its fast registration process, ability to save customer information, and concept of paying in installments has led to greater checkout conversion.
- 5. Rise in repeat purchasing:** Afterpay’s payment structure gives users more control over their spending and support for budgeting, generating more frequent repeat purchases for merchants offering the platform.

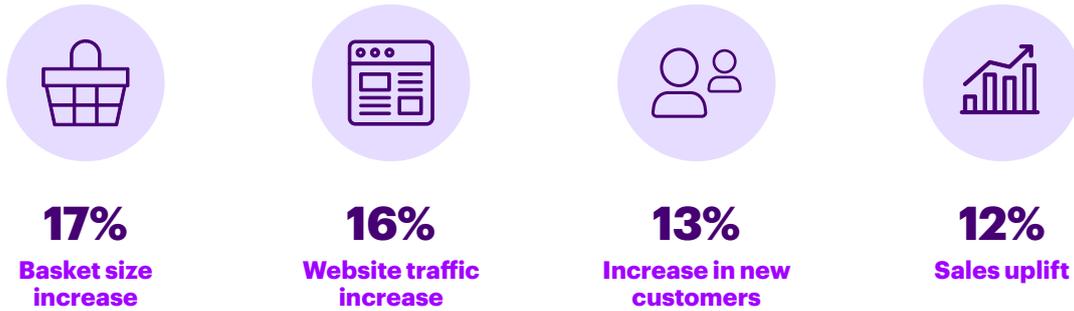
New revenue made up about 76 percent of total Afterpay sales, meaning the majority of Afterpay revenue is additional benefit to merchants and not replacing existing sales. This can be attributed to increased basket size and customer exposure, as well as greater brand relevance, increased website traffic, improved checkout conversion rates and higher rates of repeat purchasing.

**EXHIBIT 20**

**Afterpay merchants benefit across four key areas: basket sizes, website traffic, new customers and sales**

**Improvements in key business metrics after adopting Afterpay**

*% increase from pre-Afterpay levels*



Afterpay merchants report that basket sizes are approximately 17 percent higher in value for Afterpay orders due to a greater customer capacity to spend. This proportion is expected to increase as Afterpay and BNPL become more widespread in the US, and consumers become more comfortable spending through the platform.

The average Afterpay merchant also reports gaining almost 13 percent more new customers and, with a high frequency of repeat purchasing, any new customers obtained through Afterpay are likely to remain customers for the next twelve months.<sup>44</sup>

An increase in sales and the accrual of new revenue was found to be the most important reason to partner with Afterpay. Merchants experienced a 12 percent uplift in sales, with one in four merchants experiencing an uplift greater than 10 percent. Merchants that did not experience a large sales uplift reported this was the result of low BNPL penetration generally and six in 10 of these merchants would still recommend Afterpay to their professional network.<sup>45</sup> This demonstrates the value of the holistic benefits created by Afterpay, where even if sales do not immediately increase, benefits are gained through other channels.

<sup>44</sup> IPSOS survey of US BNPL (Afterpay) merchants (2021) n = 696. Increased basket size refers to dollar value increase (not number of items). 65% of Afterpay customers are repeat purchasers.

<sup>45</sup> IPSOS survey of US BNPL (Afterpay) merchants (2021), n = 550  
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## CASE STUDY

### Softwear

Female entrepreneur Sabrina Zohar was inspired to start Softwear by her mom, who was diagnosed with multiple brain aneurysms. During treatment, everything she was wearing felt harsh on her skin. When Sabrina couldn't find a solution she created Softwear, with a mission to further push the fashion industry forward by creating soft, comfortable, and sustainable clothing.

Softwear is cleanly designed, made for living, affordable, and sustainably produced from thought to thread, in Los Angeles, California.

A fashion industry veteran, Sabrina worked for an athleisure company for a time, and noticed how brands were both overpricing their customers and providing them with low-quality materials, using offshore and unethical manufacturing plants, and damaging the environment with inefficient and wasteful manufacturing processes. She searched and scoured for something timeless, comfortable and high quality, yet affordable, but not at the expense of the environment or fundamental human rights. When no such thing could be found, Sabrina knew she had to make it herself.

Sabrina launched Softwear in 2018 with only \$120,000 to her name. "I started an apparel company in an oversaturated market without any capital or investor for marketing," said Sabrina. "Trying to compete with brands that have unlimited resources was incredibly challenging, and is still a daily struggle we go through."

One of the tactics that Sabrina uses to reach new customers is Afterpay. "We launched Afterpay a couple years ago and saw an amazing increase in traffic on the site. It got new eyes to our brand and brought them into our funnel to then retarget."

"Afterpay has allowed customers around the world to be introduced to a new brand and try it without breaking their bank. Brand awareness is something we're actively trying to grow and Afterpay has allowed us to broaden our audience."

Since launching three years ago, Sabrina has tripled revenue and landed exclusive accounts like The Iconic, Bloomingdales, Rumble, and more. She has created a brand that will leave a lasting impact on the sustainable apparel industry, all while aspiring female founders and empowering US-based businesses and environmentally ethically-conscious consumers.



**"We launched Afterpay a couple years ago and saw an amazing increase in traffic on the site. "**

**Cost efficiencies**

US merchants gain significant cost efficiencies through their partnership with Afterpay. An Afterpay partnership materially reduces customer service and customer acquisition costs, and helps minimize marketing costs, fraud rates and return rates.

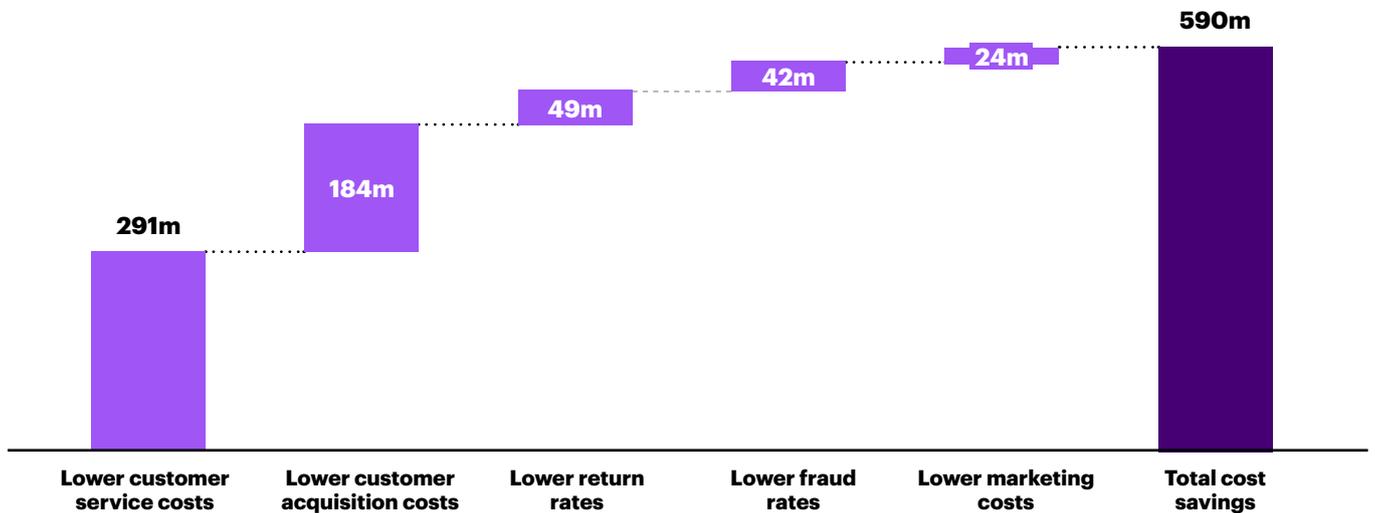
Total cost savings amounted to \$590 million in 2021, comprising around 7 percent of gross benefits. For the average merchant, this meant a 13 percent decrease in operating expenses.

**EXHIBIT 21**

**Afterpay creates \$590m in merchant cost savings in 2021, with almost half of this value from lower customer service costs**

**Breakdown of cost efficiencies for US merchants partnered with Afterpay**

\$ millions across all US merchants, 2021



Note: Expenditure is calculated using a combination of Afterpay transaction data e.g. fraud, returns, marketing and survey data on percentage decreases in cost as a function of revenue  
 Source: IPSOS Survey of Afterpay merchants (2021), n=700; Afterpay transaction data; Accenture analysis

**3. Afterpay is supporting the growth of American businesses and creating jobs in the economy**

**Lower customer service cost:** The proportion of online sales through Afterpay is 11 times greater than through non-Afterpay channels. If all Afterpay sales were to be made through other channels, such as physical cards or cash, then the cost of customer service would be 1.25 times higher (see Exhibit 22). This is because online sales

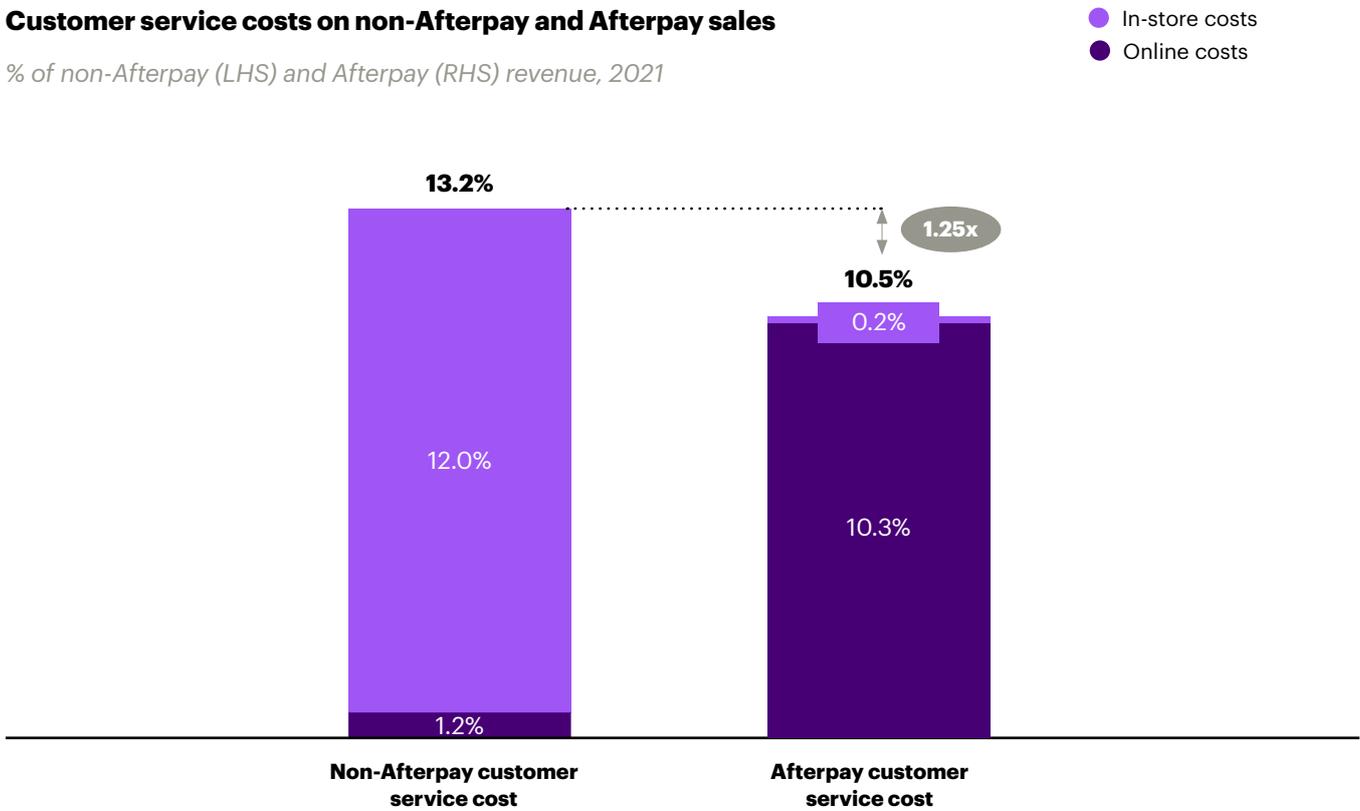
invite lower customer service costs, resulting in Afterpay generating over \$290 million in savings for its merchant partners. Not only do these results reflect how Afterpay assists businesses and users without a physical storefront to thrive in unprecedented times, but also how Afterpay sets up businesses to operate online successfully in the future.

**EXHIBIT 22**

**The cost of customer service is 1.25 times lower on Afterpay, driven largely by an increase in the share of online sales**

**Customer service costs on non-Afterpay and Afterpay sales**

% of non-Afterpay (LHS) and Afterpay (RHS) revenue, 2021



Source: IPSOS Survey of Afterpay merchants (2021), n=700; Afterpay transaction data; Accenture analysis

**Lower customer acquisition cost:** Afterpay has rapidly built a strong community of businesses and consumers in the US during its first three years in the market. Afterpay has an active user base of over 10.5 million US consumers, many of which refer to Afterpay’s trusted store directory for a centralized shopping experience. Afterpay’s Shop Directory sends 1 million referrals globally to merchant partners per day. As a result, merchants of all sizes,

women-owned businesses, and black-owned businesses have had greater customer exposure through referrals and improved retention rates. In particular, Afterpay has helped US merchants save \$184 million through lower customer acquisition costs.

**Lower return rates:** Afterpay customers make considered purchases, with the majority of Afterpay users reading reviews and comparing prices before purchasing. This drives markedly lower return rates for Afterpay merchants, especially in the context of online purchases, and has saved Afterpay merchants approximately \$49 million.

**Lower fraud rates:** Fraud rates in the US are higher for online purchases compared to in-store, where each dollar of a fraudulent amount is expected to cost a business an additional \$2.92 to recover. However, Afterpay's increased security measures, trustworthy user base, and full reimbursement of fraudulent purchases has reduced fraud rates, helping merchants generate around \$42 million in cost savings in 2021.

**Lower marketing costs:** Afterpay has also helped merchants reduce their marketing costs through co-marketing initiatives such as Afterpay sales days and Support Small initiatives, as well as through in-store marketing support. This has led to a total of \$24 million in savings for US merchants.

### 3.3 Small to medium businesses (SMB) benefit most from using Afterpay

Afterpay provides more than just a payments solution - it actively supports the growth and development of its merchant partners to help them realize tangible business goals. This support is particularly valuable for SMBs who are less likely to have time and additional resources available in-house.

The number of US small businesses partnered with Afterpay has grown dramatically since it entered the market in 2018. This growth is a direct result of the trust merchant partners place in Afterpay to help them establish their business. Support mechanisms initiated by Afterpay include:

- Targeted marketing campaigns to generate higher sales volumes for SMBs, including Support Small sales and highlighting 'Shop Small Biz' on the Afterpay store directory; and
- The provision of retailer resources for small businesses including business growth case studies, retail market insights and blog posts.

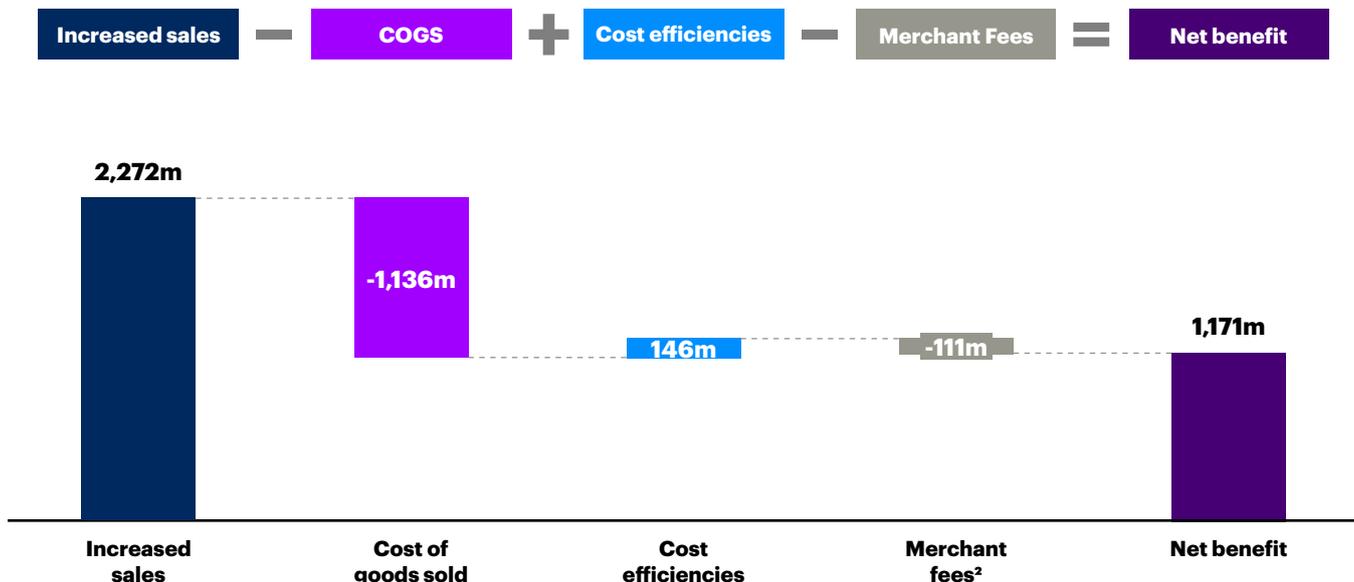
As a result of these initiatives, and the benefits discussed in section 3.2, Afterpay SMB merchants gained \$1.2 billion in net benefits in 2021.

**EXHIBIT 23**

**SMBs accrue almost \$1.2bn in net benefits, driven largely by greater sales**

**Breakdown of benefits for US SMBs partnered with Afterpay**

\$ millions across all US merchants, 2021<sup>1</sup>



Note: 1 Components of net benefits are derived using full-year projections of sales and cost efficiencies in 2021, which leverage Afterpay transaction data. 2 Merchant fee refers to the additional fee that is paid by merchants using Afterpay, over and above the fee that would have been paid if those sales had occurred via debit or credit card. Merchant fee does not refer to Afterpay’s take rate on transactions. Source: IPSOS Survey of Afterpay merchants (2021), n=700; Afterpay transaction data; Accenture analysis

Increased sales make up the majority of gross benefits for SMBs, with Afterpay generating \$2.3 billion in new revenue for SMBs in 2021. SMBs have a higher rate of incremental sales from using Afterpay compared to larger businesses, where more than \$4 in every \$5 of sales on Afterpay is new revenue accrued by SMBs (82 percent of SMB sales are incremental, see Exhibit 25).

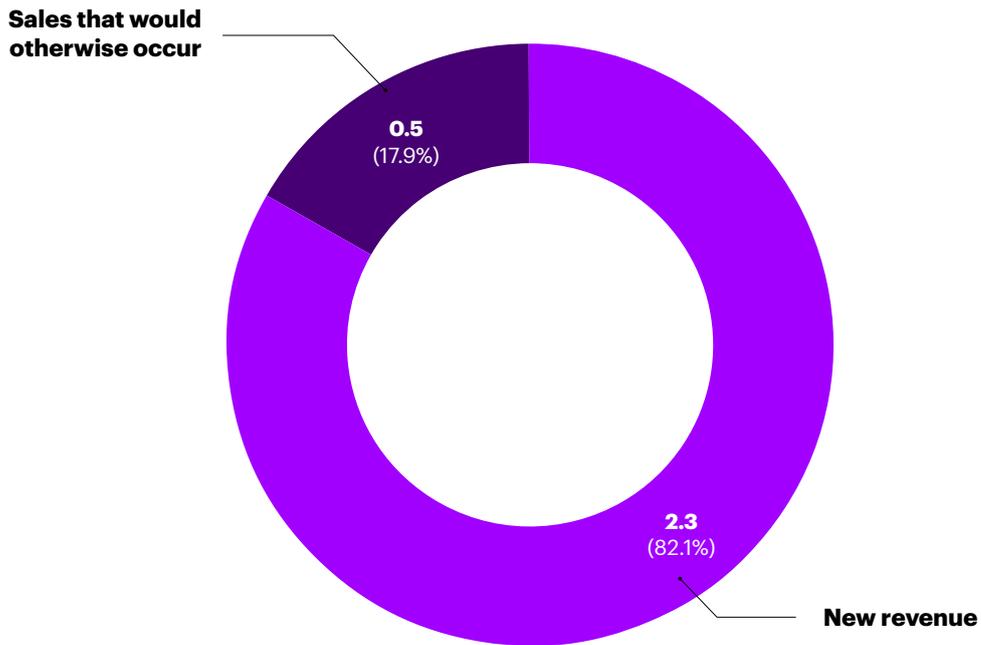
Larger basket sizes and greater customer exposure make up approximately 50 percent of all SMB new revenue, worth \$750 million and \$385 million respectively. The other 50 percent of new revenue is primarily the result of improved brand relevance and checkout conversion (approximately \$700 million together).

**EXHIBIT 24**

Afterpay generates \$2.3bn in new revenue for SMBs: more than \$4 in every \$5 spent with SMBs are new sales

**Breakdown of total sales for US Afterpay small-medium merchants**

\$ billions across all US merchants, 2021



Source: US Census Bureau (2021); Accenture analysis

Most SMBs (and merchant partners more broadly) are interested in receiving additional marketing support from Afterpay, such as promotional events and materials, as well as business performance insights and consumer shopping insights.

Afterpay's closed-loop network of merchants means that it can provide high quality and focused merchant services to align with its merchants' characteristics and interests, such as its existing retailer resources page.



“Afterpay has allowed Parker Clay to be accessible to a wider audience, giving consumers the ability to invest in a timeless piece on their schedule.”

## CASE STUDY

### Parker Clay

Ian and Brittany Bentley were a successful couple with two young sons living in idyllic Santa Barbara, California – she was a freelance graphic designer, he was in real estate marketing – when they heard there were 160 million orphans worldwide.

That sobering fact became a regular conversation in their household and, in 2011, they traveled to Ethiopia to adopt their daughter. The country was not what they expected based on bleak headlines back home about famine and poverty but a vibrant country with one of the fastest-growing economies in Africa. Still, the Bentleys were struck by the number of women working in prostitution in the capital, Addis Ababa.

It was that trip that ultimately inspired the couple to found Parker Clay. The brand offers luxury products made with local Ethiopian leather by local hands to support the economy and continue empowering women.

Today, the company which started with a “few machines and a few people” has grown 100 percent year over year and employs 18 people in the United States and more than 200 in Ethiopia. More than 80 percent of their staff in Ethiopia are women, and they work in a company-owned factory, which was important to the Bentleys to ensure transparency over working conditions.

Parker Clay chose to work with Afterpay in order to scale. “We joined early on when they were one of the first to market. It is exciting to see how we have scaled together as they have grown to be one of the largest,” Bentley says, adding, “Afterpay has allowed Parker Clay to be accessible to a wider audience, giving consumers the ability to invest in a timeless piece on their schedule.” As a result, Parker Clay has experienced a 14% increase in Average Order Value through Afterpay.

The company motto “We go together” comes from an African proverb, “If you want to go fast, go alone. If you want to go far, go together.” From the very beginning, the Bentleys wanted to go as far as possible, taking as many women as possible who just needed an opportunity along with them. And they are.

### 3.4 Afterpay is supporting 70,000 local jobs

After the COVID-19 pandemic caused the highest unemployment levels seen in recent history, supporting local employment has been more important than ever before.<sup>46</sup> Afterpay and its merchant partners supported more than 70,000 local jobs in 2021. These jobs have been spread across geographies, industries and business sizes and, as a result, make a substantial contribution to the US economy.

The jobs supported by Afterpay can be defined in three categories: direct, indirect, and induced. Afterpay has helped support 6,600 direct jobs; that is, people

employed directly by Afterpay’s US merchant partners to support its growing customer base and transaction volume (see Exhibit 26). It has also supported 39,700 jobs indirectly through the supply chains of its merchant partners, particularly in logistics and marketing. The greater proportion of indirect jobs is mainly reflective of greater online sales, which generates opportunities in logistics and marketing.

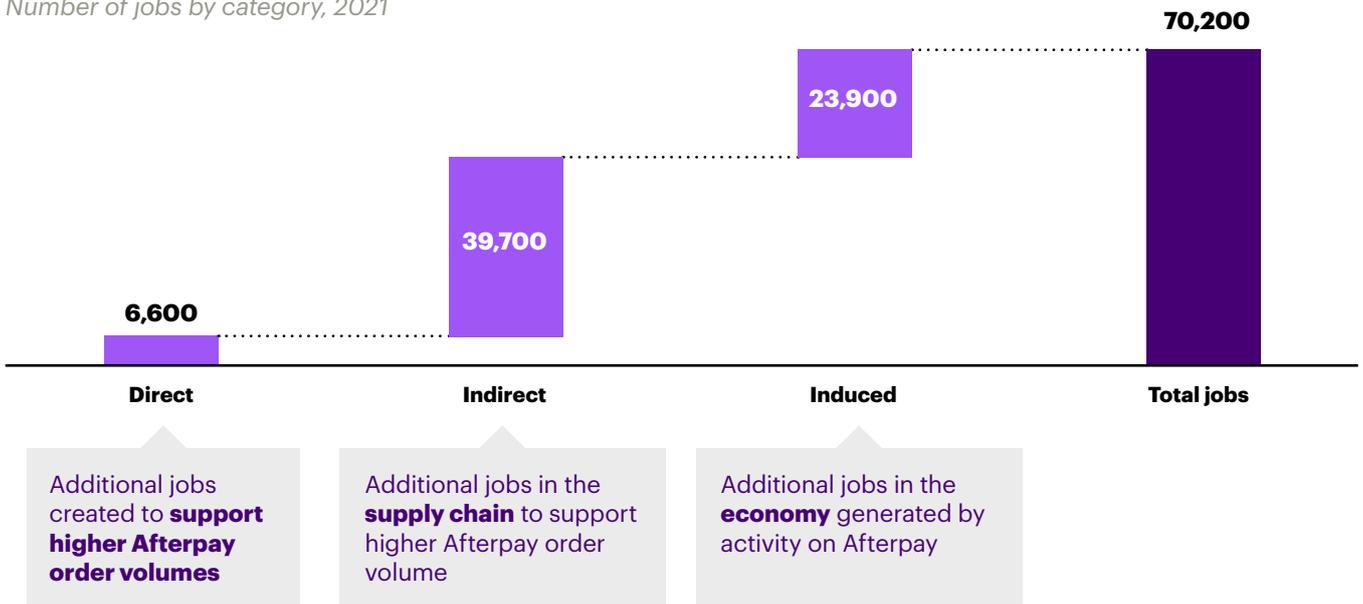
Almost 24,000 jobs were supported through the extra spending in the economy by the workers that have been directly and indirectly employed as a result of Afterpay. This includes jobs in other sectors such as hospitality.

#### EXHIBIT 25

### Afterpay has supported over 70,000 American jobs in 2021

#### Jobs supported by Afterpay in the US

Number of jobs by category, 2021



Source: Afterpay transaction data; United States Census Bureau (2021); United States Bureau of Labor Statistics (2021); United States Bureau of Economic Analysis (2021); Economic Policy Institute (2021); Accenture analysis

46 Bureau of Labor Statistics (2021), Civilian unemployment rate

# APPENDIX

## Methodology of economic benefits



## Consumer surplus of BNPL

Total consumer surplus is derived by:

- a. Calculating the average willingness to accept value from the consumer survey for BNPL and applying to total BNPL users in the US;
- b. Using consumer survey results on the relative value of different BNPL product attributes (using points-based weights).

### EXHIBIT 26

## Consumer surplus

	Consumer benefit	Definition	Calculation
<b>Total consumer surplus value</b>	Willingness to accept value for losing access to BNPL services for one year	The amount of money consumers would be willing to accept to lose access to BNPL services for a year	Weighted average of \$ value x Total BNPL users
<b>Consumer surplus breakdown</b>	Paying in installments	The benefit consumers derive from being able to buy items that they might not be able to afford at the time of purchase.	Relative value to consumers who identify paying in installments as an important reason why they use BNPL (using weighted points allocation) x Total Consumer Surplus
	Spending tracking and budgeting support	The benefit of having access to online directory of merchants, that offer BNPL has a payment option.	Relative value to consumers who identify budget management as an important reason why they use BNPL (using weighted points allocation) x Total Consumer Surplus
	Access to consumer marketplace	The benefit of having access to online directory of merchants, that offer BNPL has a payment option.	Relative value to consumers who identify access to BNPL's online directory of stores as an important reason why they use BNPL (using weighted points allocation) x Total Consumer Surplus
	Convenient alternative to credit	The benefit of a simple platform to complete transactions.	Relative value to consumers who identify dislike for credit cards as an important reason why they use BNPL (using weighted points allocation) x Total Consumer Surplus

## Afterpay merchant benefits

Afterpay merchant benefits are derived from increased sales and cost savings identified using public and proprietary data.

### EXHIBIT 27

### Merchant benefits

Merchant benefit	Lever	Definition	Calculation				
<b>1</b> Increasing sales	Larger customer basket size	Increased order value of customers now likely to spend more due to availability of delayed settlement	Increase in sales post-APT due to larger basket size (wgtd pts) <b>Source: Merchant survey</b>	X	Average revenue per merchant pre-APT (\$) <b>Source: Merchant survey; US Census Bureau; St Louis Fed</b>	X	Number of merchants that offer APT ('000) <b>Source: APT data</b>
	Increase in conversion rates	Increased conversion of web traffic to sales as consumers have more payment options	Increase in sales post -APT due to higher conversion rates (wgtd pts) <b>Source: Merchant survey</b>	X	Average revenue per merchant pre-APT (\$) <b>Source: Merchant survey; US Census Bureau; St Louis Fed</b>	X	Number of merchants that offer APT ('000) <b>Source: APT data</b>
	Rise in repeat purchasing	Increased frequency of purchases as customers now likely to spend more due to the availability of delayed settlement	Increase in sales post -APT due to rise in repeat purchases (wgtd pts) <b>Source: Merchant survey</b>	X	Average revenue per merchant pre-APT (\$) <b>Source: Merchant survey; US Census Bureau; St Louis Fed</b>	X	Number of merchants that offer APT ('000) <b>Source: APT data</b>
	Increased brand relevance and customer engagement	Increased number of sales experienced from customers gained through increased brand exposure and greater customer engagement	Increase in sales post -APT due to improved brand relevance, engagement (wgtd pts) <b>Source: Merchant survey</b>	X	Average revenue per merchant pre-APT (\$) <b>Source: Merchant survey; US Census Bureau; St Louis Fed</b>	X	Number of merchants that offer APT ('000) <b>Source: APT data</b>
	Exposure to new customers	Access to new audience of customers who know the Afterpay brand	Increase in sales post -APT due to exposure to new customers (wgtd pts) <b>Source: Merchant survey</b>	X	Average revenue per merchant pre-APT (\$) <b>Source: Merchant survey; US Census Bureau; St Louis Fed</b>	X	Number of merchants that offer APT ('000) <b>Source: APT data</b>
	Other	Other drives observed by merchants	Increase in sales post-APT due to other drivers (wgtd pts) <b>Source: Merchant survey</b>	X	Average revenue per merchant pre-APT (\$) <b>Source: Merchant survey; US Census Bureau; St Louis Fed</b>	X	Number of merchants that offer APT ('000) <b>Source: APT data</b>
<b>2</b> Delivering efficiencies	Lower customer service costs	Reduced cost associated with higher share of online transactions reducing in-store costs	Reduction in costs due to greater mix of online sales (% of revenue) <b>Source: Merchant survey</b>	X	Average revenue per merchant post-APT (\$) <b>Source: US Census Bureau; St Louis Fed Reserve; APT data</b>	X	Number of merchants that offer APT ('000) <b>Source: APT data</b>
	Free referrals from shop directory	Reduced cost associated with online marketing as referrals are provided for free from Afterpay's shop directory	Average cost per referral pre APT (\$) <b>Source: Google, facebook cost per click of ads</b>	X	Number of free referrals from APT shop directory <b>Source: APT data</b>		
	Lower return rates	Reduced cost associated with Afterpay customers returning purchases less due to reduced 'buyer's remorse'	Total cost of returns pre-APT (\$) <b>Source: Shopify</b>	-	Total cost of returns at APT return rates for 1 year (\$) <b>Source: APT data</b>	X	Number of merchants that offer APT ('000) <b>Source: APT data</b>
	Lower fraud rates	Reduced cost associated with the removal of fraud costs and chargeback fees	Cost of fraud (% of revenue) <b>Source: Merchant survey</b>	X	Average revenue per merchant post-APT (\$) <b>Source: US Census Bureau; St Louis Fed Reserve; APT data</b>	X	Number of merchants that offer APT ('000) <b>Source: APT data</b>

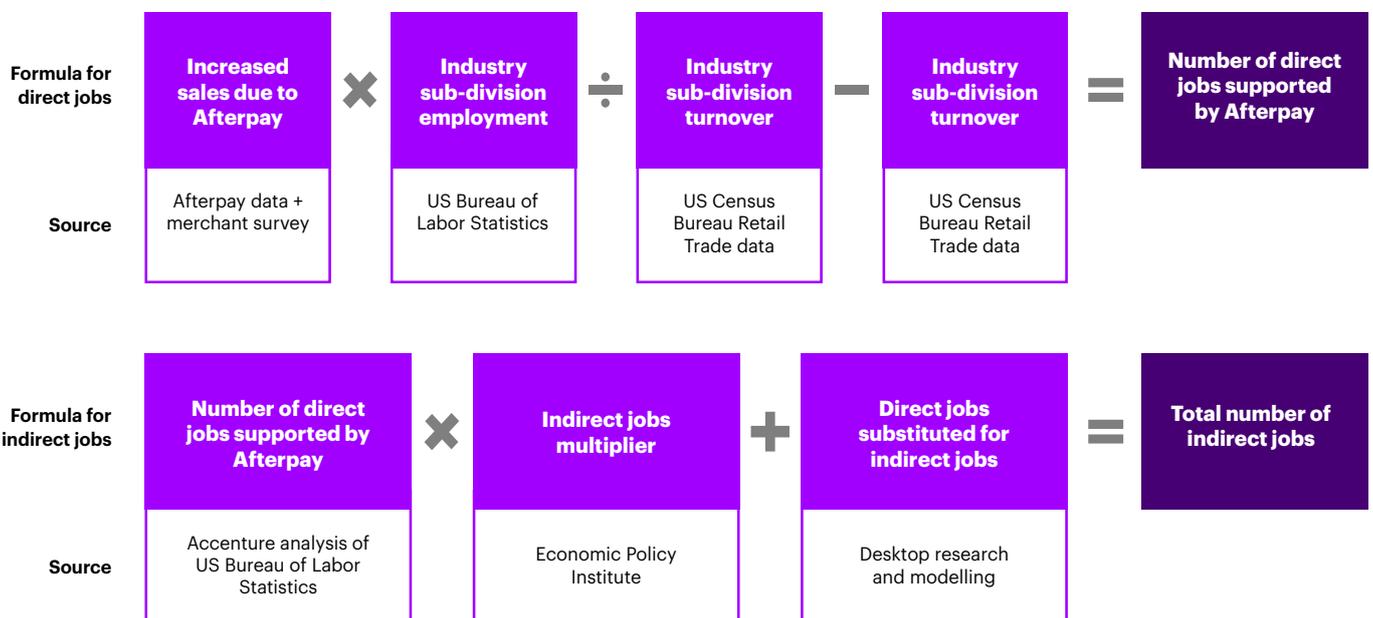
## Job creation

The number of US jobs supported by Afterpay is estimated using the following three effects Afterpay spending has on jobs in the American economy:

- Direct effects: the impact of Afterpay on merchants who are able to use the service to connect to customers and make sales
- Indirect effects: the impact of Afterpay buying goods and services from suppliers and these suppliers buying goods and services from their suppliers
- Induced effects: the impact in the economy of wages and salaries earned and spent by workers who are directly and indirectly employed by Afterpay merchants

### EXHIBIT 29

### Jobs



## About Accenture

Accenture is a global professional services company with leading capabilities in digital, cloud and security. Combining unmatched experience and specialized skills across more than 40 industries, we offer Strategy and Consulting, Interactive, Technology and Operations services – all powered by the world’s largest network of Advanced Technology and Intelligent Operations centres. Our 569,000 people deliver on the promise of technology and human ingenuity every day, serving clients in more than 120 countries. We embrace the power of change to create value and shared success for our clients, people, shareholders, partners and communities.

Visit us at [www.accenture.com](http://www.accenture.com)



## About Afterpay

Afterpay Limited (ASX: APT) is transforming the way we pay by allowing customers to receive products immediately and pay for their purchases over four installments, always interest-free. The service is completely free for customers - helping people spend responsibly without incurring interest, fees or extended debt. As of June 30, 2021, Afterpay is offered by nearly 100,000 of the world’s favorite retailers and more than 16 million customers in North America alone.

Afterpay is currently available in Australia, Canada, New Zealand, the United States and the United Kingdom, France, Italy and Spain, where it is known as Clearpay. Afterpay is on a mission to power an economy in which everyone wins.

The Afterpay logo, which consists of the word "afterpay" in a lowercase sans-serif font followed by a circular icon containing a stylized double-headed arrow.

This document is intended for general informational purposes only. The analysis in this report was commissioned by Afterpay Australia and prepared by Accenture on behalf of Afterpay Australia.

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