



The economic impact of Afterpay in Canada



A report for Afterpay November 2023

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November 2023

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1. Executive summary

Buy Now, Pay Later (BNPL) services have become a popular alternative payment method in Canada and are forecast to grow four-times faster than overall consumer spending in Canada in 2023.¹

BNPL services allow shoppers to make purchases and pay in installments over a short period of time. The strong demand for these services reflects the substantial benefits they deliver to Canadian shoppers.

Afterpay commissioned Oxford Economics to analyze the role of BNPL services in Canadian consumers' purchasing behaviour and financial management, as well as the role BNPL plays for merchants. This report is based on surveys of 615 Canadian BNPL shoppers, 1,000 merchants offering Afterpay, and third-party sources. A detailed description of our methodology is included as an Appendix to this report.

68%

of BNPL shoppers believe BNPL services are a cost-effective payment method that helps them avoid high-interest credit card debt

66%

of BNPL shoppers reported BNPL helps alleviate stress associated with large purchases

63%

of BNPL shoppers agree that BNPL services are a cheaper alternative to other sources of funds

More than half

of all BNPL shoppers indicated that the service helps them better manage the impact of inflation

Why do shoppers use BNPL services?

Our survey revealed three key reasons why Canadian shoppers use BNPL services:

- 1. BNPL services help shoppers avoid high-interest credit products.** Almost seven out of 10 BNPL shoppers [68%] believe BNPL services are a cost-effective payment method that helps them avoid high-interest credit card debt.
- 2. BNPL services help shoppers reduce stress.** Two-thirds of BNPL shoppers [66%] in our survey report that BNPL helps alleviate stress associated with large purchases.
- 3. BNPL is cheaper for shoppers than other sources of funds.** BNPL is not only considered cost-effective compared to credit cards but also other sources of funds such as bank loans. A majority of respondents [63%] agree that BNPL services are a cheaper alternative to other sources of funds.

While all Canadian BNPL shoppers indicate that they benefit from BNPL services as a financial management tool, the surveys revealed younger shoppers, that is Gen Z and Millennials, and financially vulnerable demographic groups value these services the most.

Gen Z and Millennials value BNPL services more than older shoppers. Gen Z shoppers typically have lower incomes and savings compared to older Canadians and are likely to need cost-effective payment options to manage their spending on a tight budget. While Millennial shoppers tend to have higher incomes than Gen Z shoppers, they are at a stage of life in which they are seeking to balance rising spending needs (e.g., due to childcare, buying a home, etc.) with a desire to build their retirement savings. BNPL provides a useful, low-cost tool to help them to navigate this financial challenge.

BNPL services are also highly valuable to demographic groups who are more likely to be financially vulnerable however, these groups perceived the benefits of BNPL services in different ways:

For newcomers

(those who migrated to Canada in the last decade), being able to avoid high-interest credit card debt is the most important benefit of using BNPL services. Credit is often expensive for newcomers who often have limited credit histories in Canada.²

Low-income households

(that is households with an annual income of C\$30,000 or less) find BNPL to be a valuable tool for avoiding high-interest credit card debt, as well as alleviating financial stress. These households, stretched thin by their limited incomes, often rely on borrowing for their expenses and typically have higher levels of financial stress.^{3,4}

Minorities

The stress-reducing effect of BNPL services resonates especially strongly with minorities (from BIPOC — that is Black, Indigenous, and People of Colour — communities and linguistic minorities), with over two-thirds of respondents in this category agreeing that using BNPL helps ease their financial stress. This aligns with the fact that a significant portion of minorities [43%] identify money-related concerns as their primary source of stress.⁵



Afterpay: a highly valued brand to shoppers

Afterpay, introduced in Canada in 2020, offers a convenient option for customers at partner merchants to spread payments for their purchases over time, free from interest charges and late fees, and without the need for credit checks.

Shoppers who have used Afterpay value BNPL services and their attributes significantly more than other BNPL shoppers. Among BNPL shoppers surveyed, a higher proportion of those who used Afterpay agreed that BNPL is cheaper than other sources of funds, helps them avoid high-interest credit card debt, and helps reduce stress. Afterpay shoppers surveyed also indicate that they use and trust the service more than any other BNPL service.

Helping manage the impact of inflation on household budgets

More than half of all BNPL shoppers surveyed (51%) indicated that the service helps them better manage the impact of inflation. Prices in Canada rose sharply over the last two years whilst income growth lagged behind, resulting in the biggest hit to household spending power in over two decades. In this context, BNPL offers shoppers a flexible payment method to manage their spending and helps them better cope with the impact of inflation on their household finances.

Financially vulnerable communities highly value the benefit of BNPL in managing the impact of inflation, with 60% of minorities, 59% of shoppers from low-income households, and 53% of newcomers agreeing that BNPL helps them manage the impact of inflation.

Enabling better budget management during the holiday season

Household budgets are likely to be stretched during the holiday season this year as inflation has eroded household spending power. On average, Canadian household incomes are forecast to be almost C\$500 (3%) lower on average compared to the last holiday season, after accounting for effects of inflation.

Canadian shoppers are turning to BNPL for a better way to manage and pay for expenses during the holiday season. Two-thirds of BNPL shoppers agree that BNPL helps reduce stress related to spending on holiday gifts and expenses.

Helping merchants better serve their customers

Afterpay merchants surveyed indicated that BNPL helps them to connect more effectively with shoppers through:

Exposure to new customers

BNPL services help merchants reach new customers by making their products and services more accessible to a wider group of customers.

Increased customer retention

Merchants can engage effectively with shoppers by offering them convenient payment options, increasing customers' financial flexibility and enabling more productive purchase discussions.

Rise in customer repeat purchases

Merchants see an increase in shopper frequency to their business.

In our survey, Afterpay merchants revealed that it helps their business to reduce costs through improved operational efficiency in providing and processing payments, lower fraud rates, lower default rates, and lower customer acquisition and cross-selling costs. In this context, BNPL — and Afterpay in particular — has been an important tool, helping merchants offer a positive shopping and payment experience for their customers while remaining cost-efficient and competitive.

The children's brand that's growing up fast

“Offering Afterpay means that you’re making it possible for **everyone** to purchase from you”

What started as one mother’s brilliant idea has quickly become a business success story.

As a mom of three, Helen Smith knows firsthand how challenging it can be to keep small children occupied.

Back in 2020 there was one activity her children never seemed to tire of: pulling apart the living room sofa to build forts. And so, that fall, Smith, a kindergarten counselor-turned-entrepreneur, had a brainwave – and the “Joey”, an adaptable, foam play couch, was born.

At the time, Smith was running Chew Chew Baby Roo, a company selling stylish but functional products for children. Making the sofa was a gamble for the business, which up until then had mostly produced silicone teething accessories.

“At first my brother was like, ‘Who’s going to want one of these?’ But within an hour of playing with our samples, my husband was like, ‘These are amazing. We need more!’,” recalls Smith.

It was the right decision. More than 1000 pre-orders for the Joey sofa soon flooded in. “We were so shocked!”

By the end of 2020, the company (since rebranded Roo & You and now comprising six staff based in Ontario) had made just over \$1 million. By the end of 2023, the brand that figure is set to increase substantially.

As a family brand, which creates products for other families, community is at the heart of Roo & You. “The best way for me as a parent to put faith in somebody else, is to get to know them, so it was really important I was able to connect with our customers.”

So, when customers started asking for Afterpay, Smith listened. “We didn’t know about Afterpay until people started asking, so that made us look into it.”

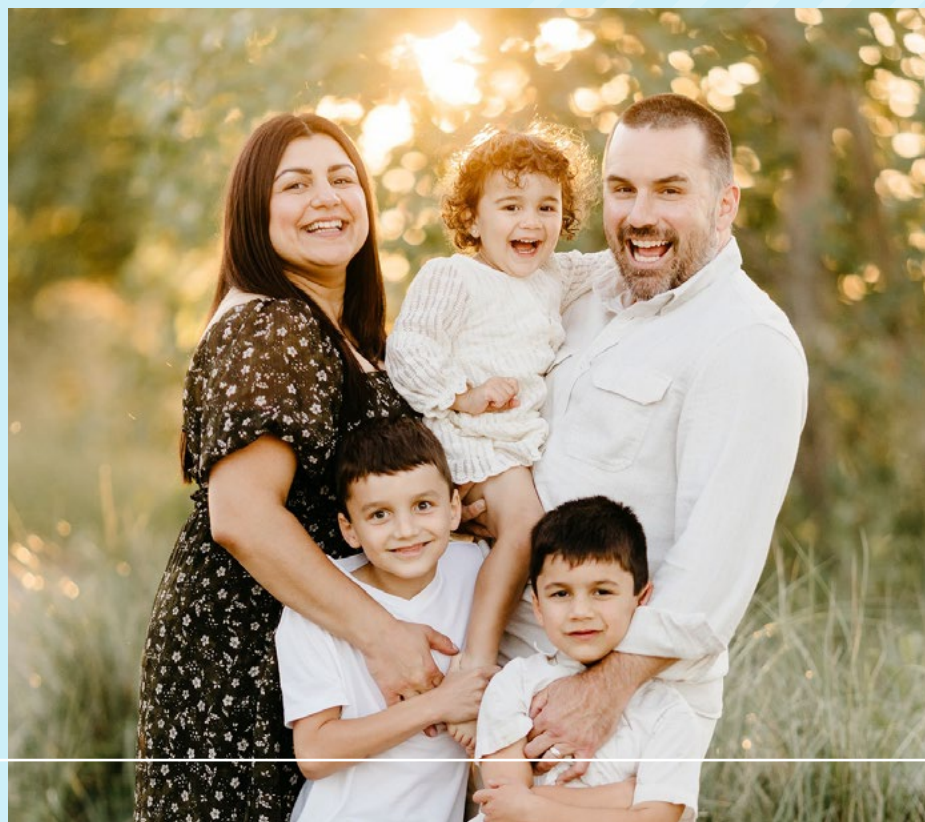
“Afterpay is so important because it allows families access to our high-quality products without having to worry about how to pay for them upfront,” she continues. “We’re immigrants and my parents struggled to buy us things, so it makes me happy we’re able to offer parents this opportunity.”

Access to a broader customer base has had an immediate impact on the business. “[Offering Afterpay means that] you’re making it possible for everyone to purchase from you,” adds Smith. “Businesses should definitely use Afterpay because it opens up the door to more customers.”

“We have a bundle deal so when you buy three products, you get five percent off,” she explains. “Most of our customers buy three pieces to start now. Having Afterpay makes people feel better about adding those extra products.”

As for the future, Roo & You hope to “expand more to the US in the next year and Afterpay will definitely help with that,” says Smith.

“The community we have built is the thing I’m most proud of,” she says. “It makes me so happy when a customer tells us how much they’re enjoying our product. That something we’ve created has made a difference in somebody else’s life.”



2. Buy Now, Pay Later in Canada

Canadian consumers are seeking alternative payment methods that offer improved budget control and help consumers avoid high-cost credit, particularly as they grapple with rising household costs.



Prices have grown five times faster than wages in the last two years, resulting in the biggest hit to household spending power in the last two decades.⁷

Buy Now, Pay Later [BNPL] services have emerged as a popular alternative payment method in Canada. BNPL allows shoppers to make purchases and pay in installments over a short period of time. These services are forecast to grow four times faster than overall consumer spending in Canada in 2023.⁸

The strong demand for BNPL services reflects the substantial benefits they deliver to Canadian shoppers.

This study investigated Canadian shoppers' motivations for using BNPL services using evidence from bespoke surveys of Canadian BNPL shoppers and Afterpay merchants. Our research demonstrates that Canadian BNPL shoppers consider these services not only as a flexible repayment service, but also as a valuable tool to manage their finances. While all Canadian BNPL shoppers indicate that they benefit from BNPL services as a financial management tool, the surveys revealed five demographic groups who value these services most:

- Younger shoppers, that is those born after 1980, tend to have growing incomes but lower savings compared to older generations.⁹ BNPL services allow these shoppers to spend in line with their growing incomes while maintaining control over their finances. We looked at two specific cohorts of younger shoppers:
 - Gen Z shoppers, those born between 1997-2012 [ages 18 to 26].
 - Millennial shoppers, those born between 1981-1996 [ages 27 to 43].

- Financially vulnerable shoppers find BNPL useful in managing their spending and avoiding high-interest debt to improve their financial resilience. These vulnerable shoppers include:

- Newcomers, those who migrated to Canada within the past decade.
- Canadians from low-income households, households with an annual income of C\$30,000 or less.
- Minorities, those from BIPOC [Black, Indigenous, and People of Colour] communities and linguistic minorities.

This report delves into why Canadian shoppers are using BNPL services, and the benefits the five demographic groups listed above derive from BNPL services. The report also covers how Afterpay helps merchants serve their customers better.



BNPL is forecast to grow

**four
times**

faster than overall
consumer spending
in Canada in 2023

3. Why do Canadian shoppers use BNPL services?

BNPL services have emerged as a powerful financial tool for Canadians, offering a range of benefits that extend beyond a way to split payments for their purchases. A bespoke survey of Canadian BNPL shoppers revealed three key reasons why Canadian BNPL shoppers use BNPL services.



BNPL services help shoppers avoid high-interest credit products. Over two-thirds of respondents [68%] believe BNPL services are a cost-effective payment method that helps them avoid high-interest credit card debt. It is worth noting that some BNPL services, like Afterpay, are interest-free in Canada. If an Afterpay customer misses a payment, for example, their account is paused and a payment plan is put in place without any late fees or additional costs to the customer. In contrast, the interest rate on outstanding balances on credit cards is reported to be in excess of 20% per year.¹⁰

Over two-thirds of BNPL shoppers believe the service helps them to

avoid high-interest credit card debt

Two-thirds of BNPL shoppers reported that BNPL

reduces stress associated with large purchases

BNPL services help shoppers reduce stress. Financial concerns rank highly as a source of stress weighing on Canadians. Money and finances were identified as the primary source of stress, ahead of personal health, relationships, and work, according to a recent survey conducted by FP Canada.¹¹ By allowing shoppers to spread their payments, BNPL services lessen the financial burden of purchases, helping to reduce related stress. Two-thirds of BNPL shoppers [66%] in our survey reported that BNPL helps alleviate stress associated with large purchases [C\$200 or more].

BNPL is cheaper for shoppers than other sources of funds. BNPL is not only considered cost-effective compared to credit cards, but also other sources of funds like bank loans — a majority of survey respondents [63%] agreed. The preference for BNPL services can be attributed to the relatively high interest rate associated with other sources of funds. For example, the interest rate associated with credit from banks was over 10% per year,¹² whereas other sources of funds are typically even more expensive. In comparison, many BNPL services provide a more affordable means of managing spending while avoiding compounding debt.

A majority of BNPL shoppers agree that BNPL services are

cheaper than other sources of funds like bank loans

A low-cost financial management tool for younger Canadians

BNPL's benefits are highly valued among younger shoppers. The uptake of BNPL services among Gen Z and Millennial shoppers is the highest among all Canadians, reflecting their desire to avoid high-interest credit, but their habits are motivated by slightly different reasons, which we outline below.¹³

Gen Z shoppers typically have lower incomes and savings compared to older Canadians and are more likely to need cost-effective payment options to manage their spending while maintaining control over their finances. Therefore, it is not surprising that Gen Z shoppers are drawn to BNPL's cost-effectiveness, with nearly two-thirds of respondents in this group agreeing that it helps them avoid high-interest credit card debt. A majority of Gen Z shoppers also agree that BNPL helps reduce financial stress.

While Millennial shoppers tend to have higher incomes than Gen Z shoppers, they too are building up their savings and endeavouring to avoid debt. BNPL provides a useful, low-cost tool to meet their spending needs in line with their growing incomes. This cohort also values the cost-effectiveness of BNPL services, with close to two-thirds of respondents in this group agreeing that it helps avoid high-interest credit card debt and reduce financial stress.

BNPL helps empower financially vulnerable shoppers

There were nuances in how different financially vulnerable groups perceived the benefits of BNPL services.

For newcomers, being able to avoid high-interest credit card debt was the most important benefit of using BNPL services.

When newcomers arrive in Canada, they do not bring their credit histories with them and their credit options are often limited.¹⁴ Credit, when available, is often expensive and may include very high interest rates. BNPL is viewed as an accessible alternative, with a substantial majority [71%] of newcomers surveyed agreeing that BNPL helps them avoid high-interest credit card debt.

Low-income households found BNPL to be a valuable tool for avoiding high-interest credit card debt as well as alleviating financial stress. These households, constrained by their limited incomes, tend to be less financially resilient and often rely on borrowing for their expenses, more so than those with higher incomes.¹⁵ Households with lower incomes are also typically associated with higher levels of financial stress.¹⁶ The role of BNPL in alleviating these pressures for low-income households was evident in our survey. Close to seven out of ten BNPL shoppers from low-income households agree that it helps them avoid high-interest credit card debt [73%], and a similar proportion agrees that it helps reduce financial stress [69%].

The stress-reducing effect of BNPL services resonates especially strongly with minorities, with over two-thirds of respondents in this category agreeing that using BNPL helps ease their financial stress. This aligns with the fact that a significant portion of minorities [43%] identified money-related concerns as their primary source of stress, surpassing the national average for Canada as indicated by a survey conducted by FP Canada.¹⁷

BNPL uptake is the highest among Canadian

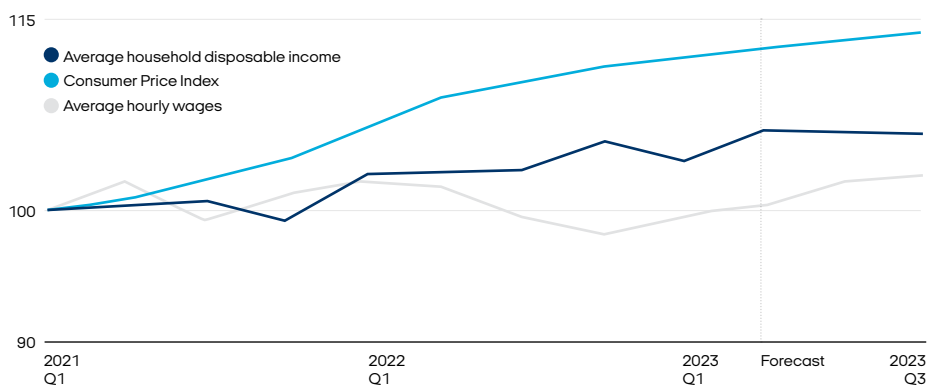
Gen Z and Millennial shoppers



4. Helping manage the impact of inflation on household budgets

Prices have risen sharply over the last two years, with annual inflation peaking at close to 8% in Summer 2022 and is expected to land at 3.8% in 2023, well above the Bank of Canada's target rate.¹⁸ At the same time wages and disposable incomes have failed to keep up with rising prices, while interest rates have risen to 20-year highs.¹⁹ This has resulted in the biggest hit to household spending power in over two decades.

Fig. 1. Inflation, nominal household income and nominal wages, 2021-2023 (index, 2021 Q1 = 100).
Source: Oxford Economics



To manage the impact of rising prices, more and more Canadian consumers have turned to high-interest credit, cut back on spending where possible, or relied on their savings. In fact, 40% of Canadians reported in an April 2023 survey that they are drawing from savings they try not to touch.^{20,21}

BNPL presents an attractive payment method to manage household finances in the current inflationary context by helping defer payments for purchases over a short period. More than half of all BNPL shoppers

surveyed (51%) indicated that the service helps them better manage the impact of inflation.

Gen Z and Millennials find BNPL services valuable in managing the effects of inflation on their finances. These groups are more reliant on their incomes to manage the impact of rising prices, as they typically have lower savings compared to older generations. BNPL services allow them to pay and budget for their spending in installments, instead of using their savings

or borrowing funds elsewhere. A large percentage of Gen Z (57%) and Millennials (53%) reported that BNPL services help lessen the impact of inflation on their financial situation.

Financially vulnerable shoppers have felt the impact of inflation more severely than other Canadians. Compared to the rest of the Canadian population, financially vulnerable shoppers typically spend a larger share of their incomes on essentials such as food and housing, the prices of which have increased by over 20% in the last two years. Compared to other Canadians, these households are also significantly more concerned with the impact of rising prices on their household finances and report experiencing more day-to-day stress due to financial issues.²²

The benefits of BNPL in managing the impact of inflation is valued highly by financially vulnerable communities, with 60% of minorities, 59% of shoppers from low-income households and 53% of newcomers agreeing that BNPL is helpful in managing finances amidst the cost-of-living crisis.

The cosmetics brand changing the face of the beauty industry

“Afterpay, as an organization, is really inclusive and highlights the brands they have partnerships with, making you feel like you’re in this together”

Founder Jenn Harper explains her mission to help Indigenous women see themselves reflected in the beauty industry – and how Afterpay is helping her fulfil her dream.

Many people dream of starting their own business – Jenn Harper made hers a reality. One night, she dreamed of Indigenous girls dancing and laughing and with lip-gloss on. The next morning, she decided to create Cheekbone Beauty – a cosmetics brand where everyone, including Indigenous people, could feel represented.

Harper, who is from the Ojibwe nation and grew up in the Niagara region of Ontario, was still working in a full-time sales and marketing role in the food industry when she launched Cheekbone Beauty online in 2017. With no experience in the beauty industry, Harper was surprised by how straightforward it was to start a cosmetics brand – and that concerned her.

“Learning how easy it was to put out a product into the world was actually frightening,” she explains. “I felt this heavy weight on my shoulders as an Indigenous woman, that if I was going to do this – and claim that space of being an Indigenous beauty brand – we would have to do it in an authentically Indigenous way.”

For Harper that meant putting people and the planet first. She prioritized sustainably sourced ingredients and minimal-waste processes and found investors who shared her vision.

By 2019, Harper had left her full-time job and in 2020, Cheekbone Beauty proudly launched its signature Sustain lipsticks in a tube made with 85 percent less plastic, packaged in biodegradable paper printed with vegetable dyes. That was the same year the company (a team of six including

Harper) hit seven-figure revenue. The brand continues to grow, and is now available at Sephora Canada, JCPenney and the Cheekbone Beauty website.

“Not all, but many [brands], are using ingredients I would never put on my skin,” explains Harper. “So, I feel a responsibility as one of the first Indigenous people to do this, to show there’s a better way.”

With transparency and community at the forefront of their brand, it was a no-brainer for Cheekbone Beauty – to offer Afterpay.

“We want to make our customers and community happy, so we want to provide them with anything that makes their shopping experience easier and better,” explains Harper. “Afterpay gives people the opportunity to make the decision of how they want to pay for their purchases.”

Since offering Afterpay, Cheekbone Beauty has seen conversion rates rise, and the average order value increase from \$59 to \$89. The returning customer rate has also increased from 25% in 2020 to 55% this year. “Afterpay has improved our business,” says Harper. “It’s another way of truly understanding the different kinds of customers you have – and that’s what every brand wants.”

Harper appreciates Afterpay’s support in helping her grow her business. “Afterpay, as an organization, is really inclusive and highlights the brands they have partnerships with, making you feel like you’re in this together,” explains Harper. “They do a great job of making a small business feel like a big business.”



5. Enabling better budget management during the holidays

Canadian shoppers tend to spend more than usual on gifts, travel and entertainment during the last few months of the calendar year, a period which includes Hanukkah, Christmas, Diwali and New Year's.²³ This year's holiday season in particular is likely to stretch household budgets as inflation has eroded household spending power.



As shown in Fig. 1, Canadian household incomes this holiday season are forecast to be almost C\$500 [3%] lower on average compared to last year, after accounting for the effects of inflation.²⁴ Almost nine in ten shoppers [88%] say that inflation will have at least some impact on their holiday spending in 2023.²⁵

Canadian shoppers are turning to BNPL for a better way to manage and pay for expenses during the holiday season. According to the shoppers surveyed, BNPL offers a solution for managing expenses during high-spending periods. Two-thirds of BNPL shoppers agree that BNPL helps reduce stress related to spending on holiday gifts and expenses.

BNPL helps manage the impact of inflation on finances during this peak spending period. Using BNPL services provides shoppers with greater financial control, allowing them to better cope with the effects of inflation on their household finances. A majority of shoppers [62%] who used BNPL for most of their holiday purchases indicated that BNPL has helped them manage the impact of inflation.

BNPL's effectiveness in reducing financial stress during the holiday season was particularly valued by Gen Z and Millennial shoppers. A majority of Gen Z shoppers and Millennials [62% of each cohort] agree that BNPL services play an important role in reducing the financial stress related to holiday spending.

Among financially vulnerable groups, newcomers particularly appreciate the importance of BNPL in managing financial stress during the holiday season. More than two-thirds [69%] agree that using BNPL for holiday spending helps reduce financial stress during this period. A majority of minorities [65%] and shoppers from low-income households [62%] also agreed that BNPL helps them reduce financial stress during the holiday season.

Merchants offering Afterpay's BNPL services agreed that it enables their customers to spend with confidence during the holiday season, with a significant majority [70%] of Afterpay merchant partners surveyed agreeing that offering BNPL helps serve their customers better.

88%

of shoppers say that inflation will have at least some impact on their holiday spending in 2023

Two thirds

of BNPL shoppers agree that BNPL helps reduce stress related to spending on holiday gifts and expenses.

6. Afterpay: A highly valued brand among BNPL shoppers

Afterpay, introduced in Canada in 2020, offers a way for shoppers at merchant partners to split payments in four over time, without interest or credit checks. As mentioned earlier, if an Afterpay customer happens to miss a payment, their account is paused at no extra cost or late fees incurred.

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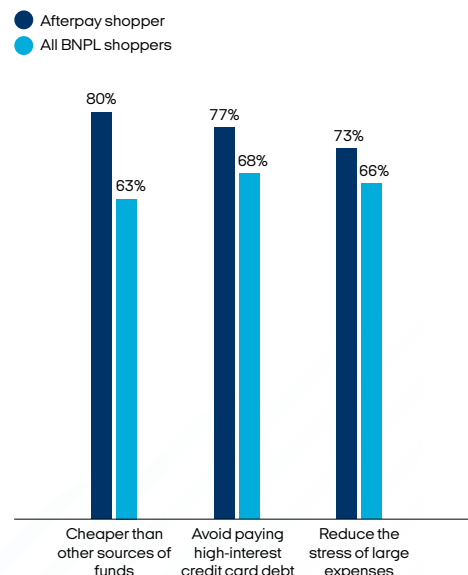
With a diverse shopper mix, the majority of Canadian Afterpay shoppers are women, accounting for around eight out of every ten

shoppers. Additionally, Millennials [45%] and Gen Z [37%] form the largest portion of the shopper mix.

Shoppers purchase across a wide range of categories. According to Afterpay data, the top five verticals are apparel and accessories, beauty and cosmetics, home and garden, footwear, and animal and pet supplies.

Shoppers who have used Afterpay value BNPL services and their attributes

Fig. 2. Value of BNPL attributes, Afterpay vs all BNPL shoppers. Source: YouGov, Oxford Economics



significantly more than BNPL shoppers as a whole. Afterpay shoppers surveyed also indicate that they use and trust the service more than other BNPL services. A higher proportion of Afterpay shoppers agree that BNPL is cheaper than other sources of funds [80% Afterpay shoppers, vs. 63% all BNPL shoppers], especially credit cards [77% Afterpay shoppers, vs. 68% all BNPL shoppers], and that it helps reduce stress [73% Afterpay shoppers, vs. 63% all BNPL shoppers].

Snapshot of the Afterpay customer

Top verticals



1. Apparel and accessories



2. Beauty and cosmetics



3. Home and Garden

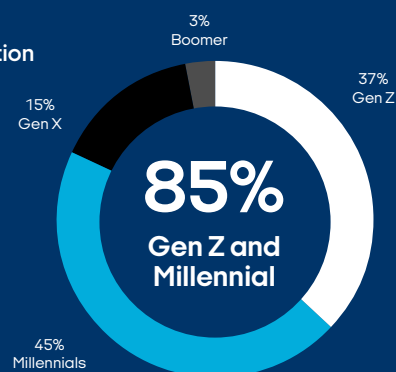


4. Footwear



5. Animals and Pet Supplies

Generation



7. Helping merchants better serve their customers



Merchants are able to give their customers more choice at checkout by offering BNPL services. Afterpay merchants surveyed told us that the service helps them better connect with shoppers through:

1. Exposure to new customers

BNPL services help merchants reach new customers by making their products and services more accessible to a wider group of people.

2. Increased customer retention

merchants can engage effectively with shoppers by offering them convenient payment options, increasing customers' financial flexibility and enabling more productive purchase discussions.

3. Rise in customer repeat purchases

merchants see an increase in shopper frequency to their business.

Merchants in the survey noted that being able to offer Afterpay to provide a better shopping experience has an incremental positive impact on their sales, even after accounting for sales that could have been made using other payment methods. Survey data indicates that merchants using Afterpay generated an incremental C\$224 million in retail sales from August 2022 to August 2023 in Canada.²⁶

Enhancing the shopping experience in a challenging marketplace

High inflation and rising interest rates have hit businesses hard; and many, particularly Small and Medium Enterprises (SMEs), are struggling to remain competitive.^{27,28} SMEs typically struggle to pass on increases in their costs to customers, and tend to have thin margins, which means that even small decreases in profits can force them out of business. The short-term outlook is not promising either, with nearly half of businesses surveyed in August 2023 expecting their operating expenses to continue to rise over the following three months and a third expecting their profitability to decrease.²⁹

Merchants surveyed indicate that Afterpay helps them reduce their costs through improved operational efficiency in providing and processing payments, lower fraud rates, lower default rates, and lower customer acquisition and cross-selling costs. Survey data indicates that Afterpay's services helped Canadian merchants reduce their business costs by C\$44 million from August 2022 to August 2023.

BNPL services, and Afterpay in particular, are an important tool helping merchants offer a positive shopping and payment experience for their customers while remaining cost-efficient and competitive. The overall net benefit to businesses is noteworthy, amounting to C\$125 million, after accounting for the increase in operating costs required to meet the incremental demand stimulated by Afterpay.

8. Appendix: methodology

The findings presented in this report were based on a bespoke survey of 615 Canadian BNPL shoppers, 1000 Canadian merchants offering Afterpay services, and supplemented by data from Afterpay and other third-party sources. The selected sample sizes were sufficiently large to yield statistically significant results, that is, the margins of error associated with the results in the report were narrow enough to draw the conclusions presented in this report.

A bespoke customer survey was designed for this study and administered to a representative sample of the Canadian population by YouGov, from which BNPL shoppers were identified and BNPL-specific questions were fielded to them.

Insights regarding merchants were drawn from responses to a merchant survey designed for this project. The survey was administered by Pureprofile, facilitated by Afterpay, and was fielded to a survey of Canadian merchants using Afterpay. Merchant benefits were obtained by asking merchants the extent to which BNPL usage has contributed to their revenues and costs, after appropriately accounting for other channels through which these sales may have otherwise occurred. Merchants were also asked to provide estimates of the benefits (to revenues or costs) associated with different channels through which BNPL helps merchants financially. The net benefit figure also accounts for the increase in costs associated with the increase in sales through BNPL, which is based on gross margins for the retail sector obtained from Canada Input-Output tables.

Notes

1. Based on Oxford Economics forecasts for consumer spending in Canada and Business Wire forecasts of BNPL transaction values, see BusinessWire, "Canada Buy Now Pay Later Business Databook Report 2023", February 2023.
2. Statistics Canada, "Immigrant credit visibility: Access to credit over time in Canada", September 2023.
3. Statistics Canada, "Rising prices and the impact on the most financially vulnerable: A profile of those in the bottom family income quintile", February 2023.
4. FP Canada, "Financial Stress Index 2023", July 2023.
5. FP Canada, "Financial Stress Index 2023", July 2023.
6. Oxford Economics databanks.
7. Oxford Economics analysis, based on data from Statistics Canada and the Oxford Economics databanks.
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