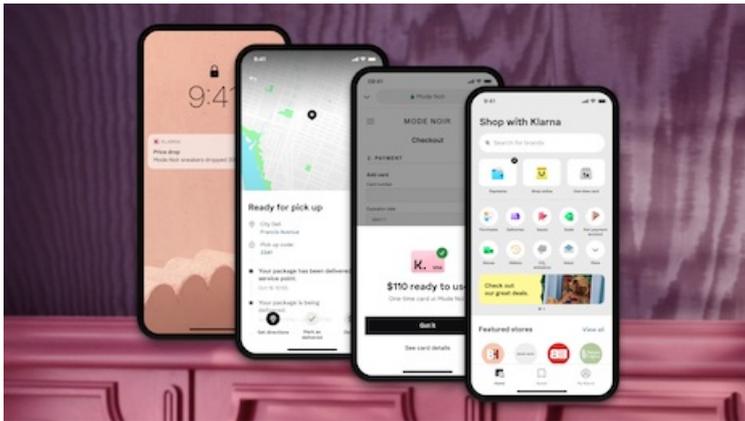


RETAIL

## Buy now, pay later makes luxury accessible rather than aspirational

January 21, 2022



*Klarna sees its highest rates of adoption in Australia, the U.S. and the U.K. Image credit: Klarna*

By SARAH RAMIREZ

Popular fintech solutions have changed consumer mindsets about high-ticket purchases while helping merchants improve the customer experience.

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In recent years, buy now, pay later payment providers have proven especially popular with millennial and Gen Z online shoppers. In a conversation with [Launchmetrics](#) CEO Michael Jas at [Launchmetrics' Performance digital summit](#) on Jan. 20, an executive from Klarna discussed how BNPL has impacted both brands and consumers.

"Digitalization cannot forget a human touch," said Francesco Passone, head of southern Europe at [Klarna](#), Milan.

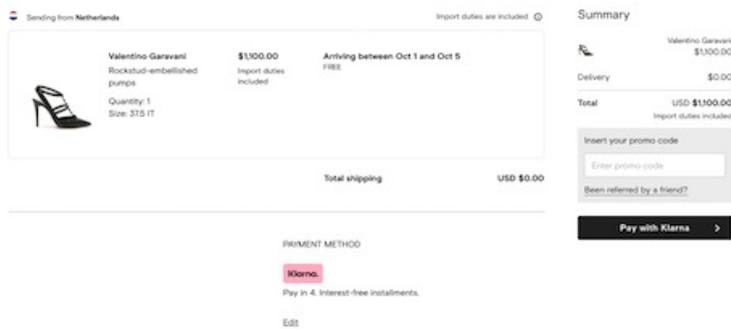
"The goal of this [fintech] industry is more than ever to make fashion unique and personal for the end consumers," he said. "And to get there you have a combination of high-tech aspects, like geolocation for the stores, but then also some low-tech elements, like the QR codes for example.

"This combination of human interaction with customer service and great logistics is the key ingredient and a very difficult mix to balance for retailers nowadays."

### Retailer support

The rapid growth of ecommerce and digitalization has blurred the lines between online and offline channels. Omnichannel consumers are more sophisticated, making it challenging for brands to create long-term consumer relationships and stickiness.

Another disruption impacting retailers is younger consumers' avoidance of traditional financial institutions, which has allowed flexible payment providers such as Klarna to thrive.



*Klarna allows high-end retailers like Net-A-Porter and Farfetch to offer installment payments. Image credit: Farfetch*

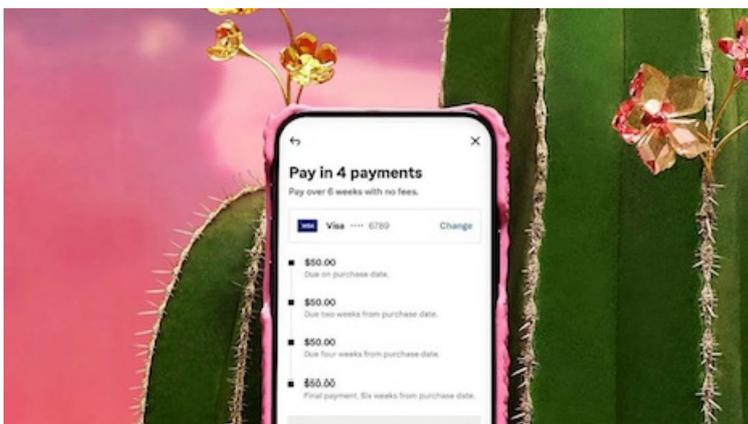
With millennial and Gen Z consumers eschewing credit cards at large rates to avoid interest and fees, they have turned to BNPL for some of the benefits credit cards offer namely, making installment payments.

This is especially important for luxury brands, as younger consumers are expected to account for about half of the industry's ecommerce value by 2025, according to Mr. Passone.

Merchants also benefit from BNPL's "ecosystem of services," Mr. Passone argues, such as Klarna's standalone mobile app and ecommerce platform. This encourages consumers to make brand and product discovery while flexible payments make it likelier that they will indulge in a purchase.

"Younger generations are more sophisticated in what they want, but they are also a bit more volatile in their interests, in their preferences," Mr. Passone said. "We help retailers with a set of tools that goes beyond payment methods.

"We also have solutions for marketing, we have solutions to drive affiliate traffic, we have solutions to connect the physical stores with their online and therefore try to create these really cool consumer journeys on their premises."



*The payment app has added AI technology to its repertoire of services. Image credit: Klarna*

The availability of BNPL has also shaped consumer behavior differently in fast fashion and luxury contexts.

For instance, at a retailer such as H&M and Zara, a shopper using Klarna is more likely to add more accessories or a second piece of clothing to their cart, increasing their average order value. Towards the higher-end, luxury side of ecommerce, BNPL has little impact on transaction value.

"I am not going to buy two items from Bulgari just because I can pay in installments," Mr. Passone said. "These luxury brands really see an opening in this new generation.

"For them, it becomes a tool to open up their population," he said. "Maybe designers were just an aspirational purchase, but now they can really become concrete."

#### Buying in

While BNPL is most often associated with ecommerce, a growing number of brands and retailers are accepting and encouraging installment payments at physical stores.

McKinsey expects 25 to 30 percent of point-of-sale financing originations to be in-store during 2021.

Brands and retailers that accept BNPL in-store include Belstaff, Bloomingdale's, Calvin Klein, Jo Malone London, Macy's, Michael Kors and Sephora ([see story](#)).

Last spring, Klarna also expanded its suite of marketing products and services designed to provide retailers with more tools to drive consumer demand and acquire, convert and retain customers.

The new suite enables retailers and publishers to offer nearly unlimited shoppable content in native formats, on their own digital properties, through the Klarna ecosystem and across the internet. New enhancements also include AI-driven content creation tools to provide companies with personalization capabilities ([see story](#)).

"There is a genuine opportunity to enrich and to evolve the consumer experience like in a very substantial way," Klarna's Mr. Passone said. "The speed of change and the speed in which you can evolve your services is really key."

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