

afterpay 

On The Rise

How Next Gen shoppers are embracing new technologies to buck the rising inflation trend of 2022.





Economic forces are motivating consumers to find alternative ways to plan, budget and save.

With inflation at a four-decade high, more than half¹ of consumers are taking measures to address rising prices.

- > The Consumer Price Index (CPI) and Producer Price Index (PPI) are both rising.
- > While PPI growth is outpacing CPI, the cost is being passed to consumers at an historic level - such rapid consumer price increases have not been seen since 1982.¹
- > The CPI is also outpacing wage growth.

- > This coincides with the continued relaxation of COVID-19 mandates, which many retailers hoped would spur consumer spending.
- > Strong fourth quarter (2021) spending and recent polling **shows a positive consumer sentiment toward spending, despite rising inflation.**¹
- > Although consumers are willing to spend, they want to save money when they do.

The top 3 ways they're saving.¹

- 1 Purchasing cheaper alternatives to everyday essentials.
- 2 Buying only during promotion periods.
- 3 Comparing prices across channels.

Next Gen consumers have always been wired to think differently.

In a previous study published by Afterpay, we saw that Gen Z and Millennials are becoming a powerful force in the economy, making up 32% of total retail spend in the US.²

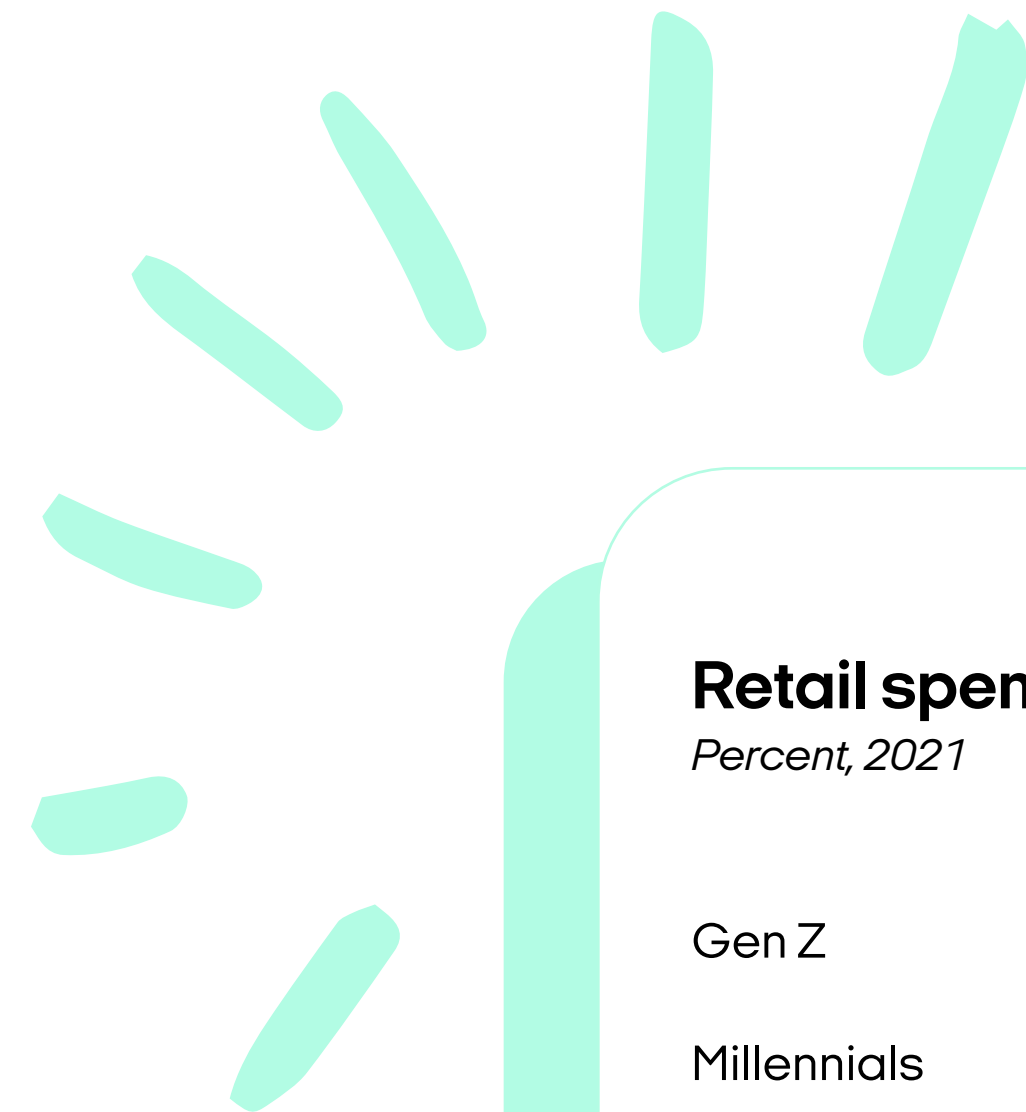
Gen Z and Millennials have different ideas about saving and spending due to experiences in multiple recessions [late 2000s and COVID-19] and being the first digitally-native generation.

By 2030, Millennial and Gen Z share of spend will increase to:

48%

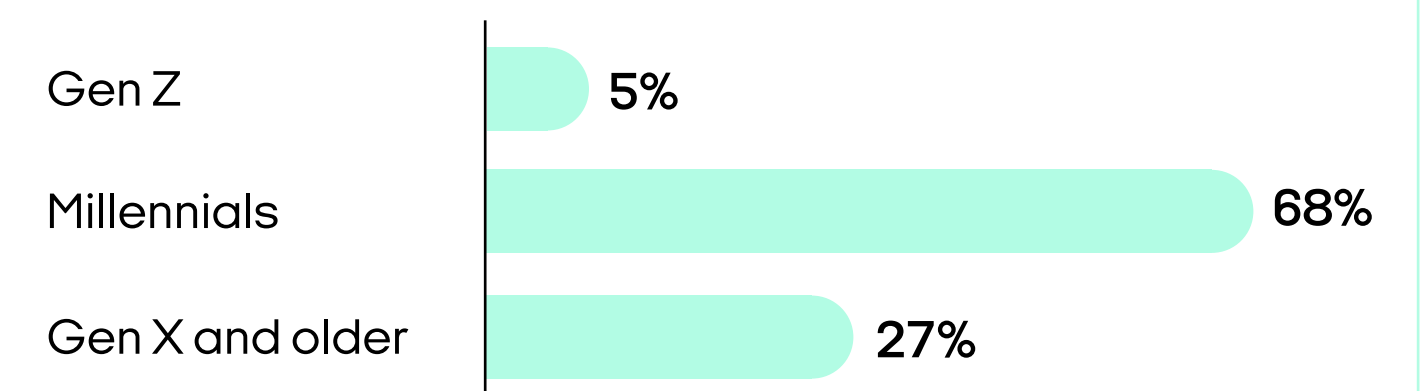
as more Gen Z [currently aged 9 – 24] enter the workforce.²

2. Millennials and Gen Z in the US: The Next Gen Index | February 2022



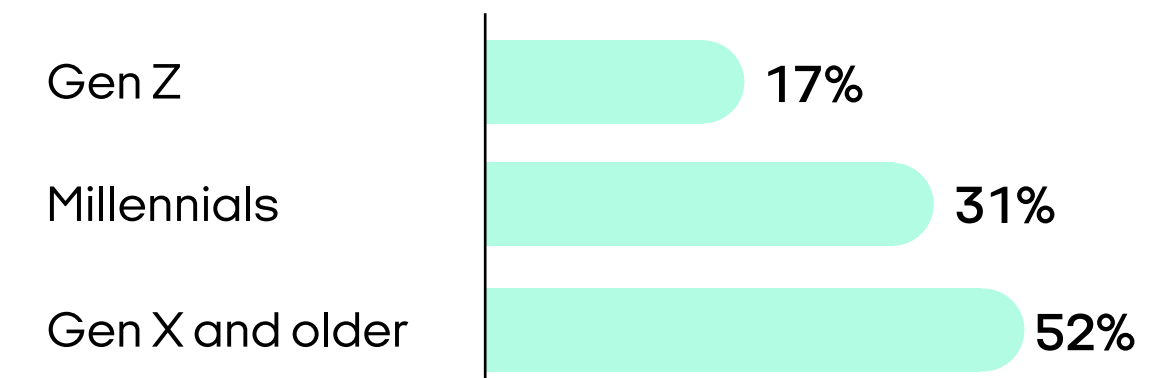
Retail spend by generation in 2020

Percent, 2021

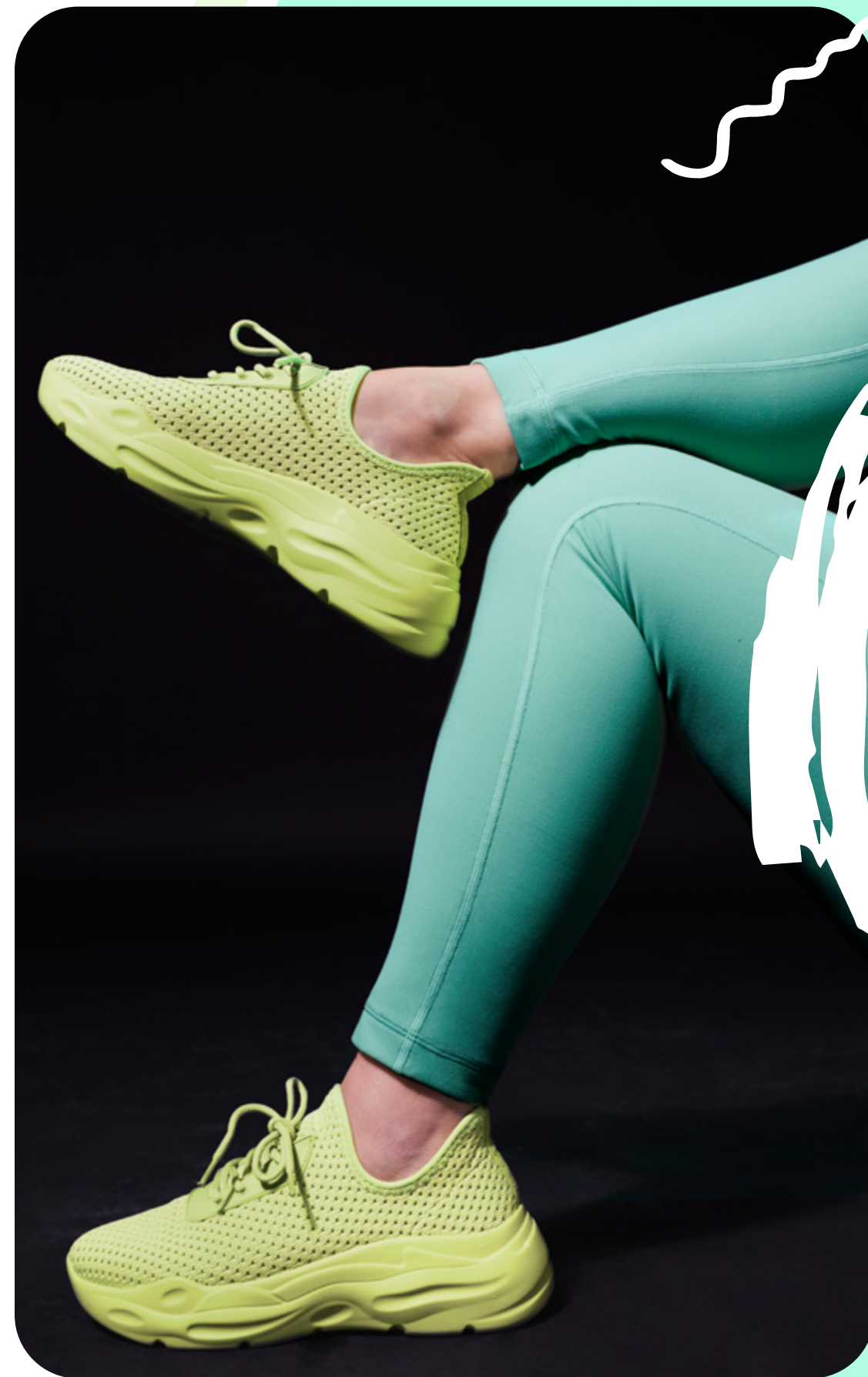


Retail spend by generation in 2030

Percent forecast, 2030



Consumers' penchant for finding new paths to financial freedom has steadily grown.



Compared to debit and credit card use

BNPL spending increased

+660%

across all generations since Jan 2020.²

We're seeing similar patterns as inflation rises—and this could be a big opportunity for merchants.





In partnership with Coresight Research, we conducted a study to understand Next Gen's relationship with payments in 2022's turbulent economic landscape.

This report is based on the analysis of data from an online survey of 500 consumers (aged 18+) in the US and Canada surveyed in March 2022.



Here's what we found.

Insight #1

Next Gen shoppers are embracing BNPL in response to rising inflation.

Insight #2

Next Gen consumers want to spend but seek value when they do.

Insight #3

Next Gen shoppers will increase their spending on experiences.

Insight #1

Next Gen shoppers, already leading BNPL users, are embracing it as a budgeting tool in response to rising inflation.

The younger generation is leading the growth of BNPL, with Gen Z spending up **925%**² since January 2020.

BNPL increasingly used as a budgeting tool.

Between Oct 2021 to Nov 2021, BNPL sales grew by **52%**² as consumers used BNPL to manage and budget their purchases.

1. Coresight Survey | March 2022

2. Millennials and Gen Z in the US: The Next Gen Index | February 2022

39%¹ of Millennials and Gen Z believe BNPL is an effective way to deal with rising consumer prices.

BNPL helps address inflation.

39%¹ have used BNPL more due to COVID-19 and inflation; this rises to **49%**¹ among Gen Z.



Insight #2

Next Gen consumers want to spend but seek value when they do spend their money.

Despite rising inflation, consumers continue to show a positive sentiment towards spending. When they're spending, they're seeking discounts.

The number one method of addressing inflation is to purchase select brands only during sales and markdowns.¹

Product pricing was the most important criteria for consumers when deciding where to shop.¹

Couple discounts with BNPL to attract new customers.

Shoppers opt for BNPL during promotional periods.

Older generations are embracing BNPL too—Gen X spending was up **15%** during the Cyber Monday/Black Friday shopping period last year.

20%¹ of consumers expect to try BNPL some time in the next 12 months.



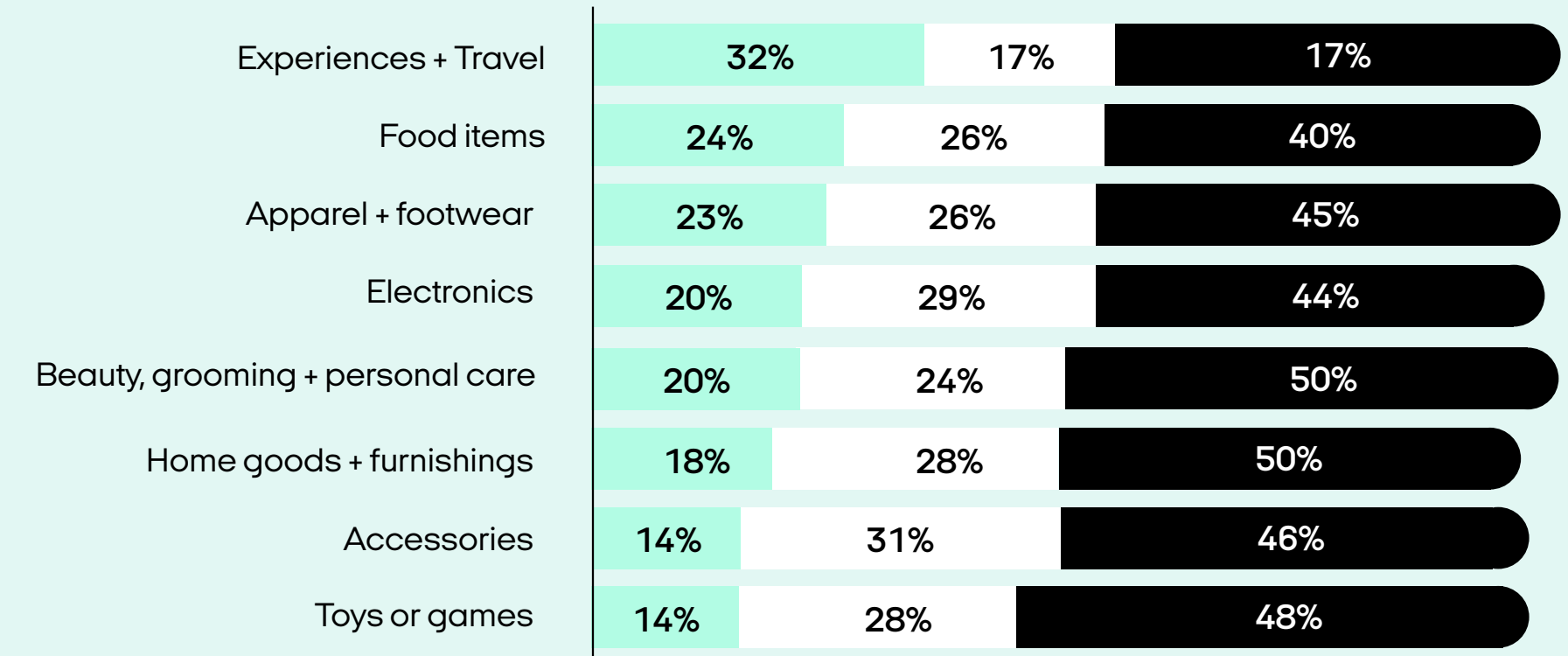
Insight #3

Next Gen shoppers will increase their spending on experiences.

BNPL helps consumers get out and do more.

Recreation is among the fastest growing categories for Gen Z and Millennials – growing above 90% YoY.²

Experiences and travel are expected to benefit most from increased spending across all categories over the next 12 months.¹



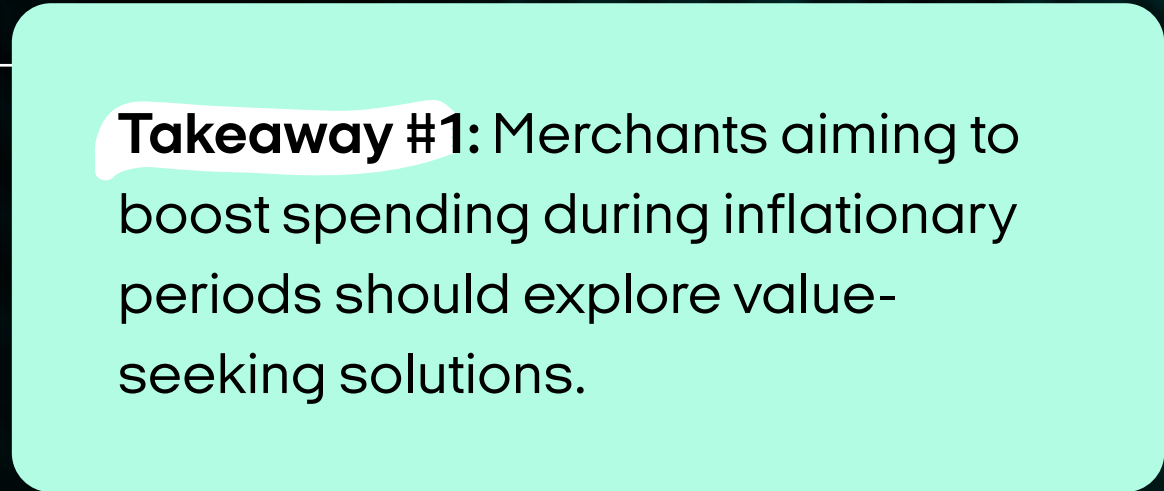
● Expect to increase
 ● Expect to decrease
 ● Expect to remain unchanged

1. Coresight Survey | March 2022

2. Millennials and Gen Z in the US: The Next Gen Index | February 2022

Three white exclamation marks of varying lengths, arranged vertically.

How retailers can act now to capture Next Gen shoppers despite rising inflation.

A light green rounded rectangular callout box with a white border and a small white burst graphic at the top right corner.

Takeaway #1: Merchants aiming to boost spending during inflationary periods should explore value-seeking solutions.

Budgeting via BNPL is and will continue to be the way young shoppers pay for the things in their lives. And 51%¹ of BNPL users say they'll continue using it at the same frequency or higher over the next year.

Thus, offering the right BNPL or a variety of payment options will help retailers attract consumers who are value-seeking as well as meet the needs of Next Gen shoppers who prefer it.

Retailers can also work with their BNPL partner, like Afterpay, to bundle promotions at checkout to boost conversion even more.

Merchants who partner with Afterpay gain access to incremental promotion marketing events like our bi-annual Afterpay Day.³

1. Coresight Survey | March 2022

3. Afterpay Internal Performance Data | 2021



How retailers can act now to capture Next Gen shoppers despite rising inflation.

Takeaway #2: Use BNPL for new marketing channels and to welcome new customers during this challenging retail environment.

The right BNPL partner will do more than just provide installment payments. At Afterpay, we've attracted a large base of Next Gen shoppers who start their shopping journeys on Afterpay's channels.

Our Shopping App features all merchants who carry Afterpay and sends **1 million referrals per day** to merchant's e-commerce sites³.

Merchants can attract these high intent shoppers through new ad placements within our app. In fact, retailers using our

in-app placements have seen as much as a 27% lift in orders with Afterpay.³

And we create opportunities to drive foot traffic to your stores, too.

From our role as Principal Sponsor of Fashion Week to our partnerships with leading shopping centers, we create memorable shopping events IRL that drive our customer base to your stores.

³. Afterpay Internal Performance Data | 2021





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