

METHODOLOGY

Buy now pay later

Understanding and addressing the risks to consumers

Annex 1: Methodology

An in-depth qualitative approach

The core aims for this research were to understand **why** consumers use BNPL products, to better understand **how** they decide when to use it, and their **relationships** with BNPL providers, so we judged a qualitative research design to be most appropriate. Considering the highly personal and potential sensitivities of questions of interest (such as affordability), we chose one-to-one in depth interviews as our data collection method as it allowed researchers to develop a rapport with participants and have maximum flexibility to adapt the interview topic guide according to each participant's experiences.

All in-depth interviews were carried out online using video-call technology (Googlemeets) lasting up to 1 hour long.

Sample

In all, we conducted in-depth interviews with 30 consumers who had used BNPL products in the last 12 months.

We chose a sample size of 30 to ensure we covered a cross section of typical BNPL users as shown in the table below - but also mindful that there is a 'saturation' point where increasing the number of people taking part does not significantly add to the level of insight generated.

Quotas were informed by research published in our [June 2021 research](#) which set out the profile of the typical BNPL users. Participants from across the UK were independently recruited by Roots Research Ltd through their inhouse panel. Roots are members of the Market Research Society (MRS) and the Association for Qualitative Research (AQR), and are compliant with ISO 27001, 2013 standard for Information Security Management Systems.

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Characteristics		Recruited	Number per Quota
Gender	Male	15	Min. 13
	Female	15	Min. 13
Age	18-24	3	3
	25-39	13	10
	40-54	9	9
	55-64	3	3
	65+	2	2
Household Income	£0-10,000 per annum		0
	£10,001-£25,000 per annum	7	0/7 (min.)
	£25,001-£40,000 per annum	7	0/7 (min.)
	£40,001-£50,000 per annum	7	0/7 (min.)
	£50,000+ per annum	8	0/7 (min.)
Ethnicity	White	23	Min. 20
	BAME	7	Min. 7
Location	England	16	Min. 4
	Wales	4	Min. 4
	Scotland	4	Min. 4
	Northern Ireland	5	Min. 4
BNPL use			
BNPL use	Yes in the last 12 months	30	30
	Yes, but not in the last 12 months/No	0	0
Use of one or multiple BNPL brands in the last 12 months	Use one BNPL brand	13	15
	Use multiple BNPL brand	17	15
Estimated use of BNPL brands in last 12 months	Klarna	20	Min. 8
	ClearPay	13	Min. 8
	Laybuy	7	Min. 5
	OpenPay	7	Min. 6
	Other	5	Min. 5
BNPL purchase types	Clothing and footwear	18	Capture
	Electronics	12	Min. 5 across sample
	Travel	2	Capture
	Groceries	1	Capture
	Make-up/Cosmetics/Beauty	9	Capture
	Sports and leisure equipment (non-clothing)	10	Min. 5 across sample
	Household goods (e.g. furniture, furnishing, home decoration)	18	Min. 5 across sample
Factors that can influence BNPL use			
User of other forms of unsecured credit (NB. will capture loans/hire purchase/car financing, but for interviews will focus on types of credit listed)	Yes - credit card or store card in addition to BNPL	17	Min. 7 exclusive
	No other forms of unsecured credit used apart from BNPL (exc. Student loans)	13	Min. 10
Missed 3 or more household bills or credit repayments in the last 12 months	Yes	10	10
	No	20	20
Experienced a major life event in the last 12 months	Yes	20	20
	No	10	10
Dependent children at home	Yes	20	20
	No	10	10

Discussion guide

Fieldwork took place in September 2021. Interviews took approximately 45–60 minutes to complete. Participants were offered a £40 thank you gift for participating in this research.

Section 1: Moderator Introduction [5 MINUTES 00:00–00:05]

- **Introduce self and Which?:** Introduce yourself, your relationship to Which? and Which? as an organisation:
 - *Which? is the UK's consumer champion. We're not for profit and conduct a range of policy and advocacy work to protect the rights of all consumers.*
- **Introduce research purpose:** *The aim of this research is to build Which?'s understanding of Buy Now Pay Later payment products, such as those provided by Klarna, ClearPay, LayBuy and OpenPay. We particularly want to understand how it fits into people's lives, why they use Buy Now Pay Later products and what they think about these products and the shops which allow purchases using Buy Now Pay Later products. You've been invited to take part because you've used a Buy Now Pay Later product in the last 12 months. Which? will use what it learns through this research to inform its policy thinking about Buy Now Pay later.*
- Explain the interview will **last between 45 minutes and 60 minutes.**
- Explain that there are **no right or wrong answers** – the research is about exploring their individual experiences, opinions and views.
- Explain that participation is **voluntary**, the participant can **withdraw at any time without repercussions** and that they can **withdraw their permission for their data to be used in this research** by getting in touch with their recruiter.
- Explain that their **anonymity** will be respected and anything they say will be treated in confidence.
- Explain that the conversation will be **recorded with their consent through google hangout**. Recordings will be stored securely by Which? and deleted after one year.
- Ask if they have any questions and, if so, provide answers.

Can I confirm that you understand and consent to the above?

Can I confirm you consent to being recorded?

Start recording. Reminder, please ask to confirm consent once recording has been started.

Section 2: Participant Introduction [5 MINUTES 00:05–00:10]

Section purpose: To get a sense of the participant and their lives and to ease them into the interview format.

- Can you tell me a bit about yourself
- Name
- Occupation/what keeps them busy day to day
- How they like to spend their free time

Section 3: Shopping and spending [10 MINUTES 00:10–00:20]

Section purpose: to understand how participants typically shop and their preferences when it comes to making payments. Conversation will focus on online shopping. BNPL will not be explicitly probed about at this stage.

I'd like to start our conversation by talking a bit about your habits when it comes to shopping for consumer products (e.g. clothes, electronics, homeware and toiletries) online.

- Explore participants' online shopping habits and thoughts on the general online shopping experience. Cover:
 - Types of purchases they make online inc. value and product type
 - Anything they would or would not buy online and why
 - If they have dependent children, what types of things do they buy for them online
- Explore how they typically pay for the things they buy online, how this varies and why?
 - Probe on use of:
 - » Debit
 - » Credit
 - > What types of credit products, if any, do they use when shopping online?
 - > If no credit products used, ask why (do they think they won't be approved)
 - » Third-party payment systems providers such as PayPal
 - Please note if they spontaneously mention using BNPL and whether this is seen as a form of credit.
- Views on their overall financial situation and how this has changed during the pandemic
 - If an uncomfortable topic prompt with broad categories of: doing fine, just about managing, struggling
 - Sensitively explore experiences of life events
 - How does where and how they shop play into this
 - » Please note if they spontaneously mention using BNPL

Section 4: BNPL and you [15 MINUTES 00:20–00:35]

Section purpose: to understand when and why people typically use BNPL and to gather examples of a recent user journey

Which? are doing this research because they want to understand how people use Buy Now Pay Later products such as those provided by brands such as Klarna, ClearPay, LayBuy and OpenPay.

You were invited to take part in this research because you have used a Buy Now Pay Later product at least once in the last year.

- Confirm details from screener re BNPL use and brands.

I'd now like to talk a bit about how you use BNPL

- When did they first hear about BNPL?
- How and when do they tend to use BNPL?
 - Circumstances they choose to use BNPL in inc. times of month (e.g. in lead up to payday)
 - Types of things they purchase with BNPL – are there certain types of items or they feel more or less comfortable using BNPL with? How necessary are the purchases they're making?

- Where they use BNPL – are there certain types of retailers they feel more or less comfortable using BNPL with?
- Use of particular BNPL brands – why/why not? Are they brand loyal or is it driven by what is offered by the retailer?
- Use of BNPL when they could buy the product outright – are they using BNPL when they could afford to buy the item(s) in full? Why is that?
- How do they typically access BNPL payment
 - Do they go to the BNPL brands website and navigate through to the retailer they want to shop with or do they just select from what’s shown to them at checkout
 - » If they go via brand website
 - > Do they have a preferred brand (why)
 - > Does this impact their choice of where they shop (how so)
- Consideration of payment mechanism
 - Why do they choose to use BNPL and not an alternative payment method (either debit or credit). Are there any instances where they would describe it as their preferred method?
 - » Does the desire to “try before you buy” or to buy multiple of the same item play a role?
 - » If they mentioned earlier they used other forms of credit, why would they use BNPL rather than another form of credit?
 - Do they “shop around”/compare different BNPL providers or compare different products by the same provider?
 - Do they ever consult providers’ terms and conditions?
- How they pay off BNPL products
 - Probe on whether they use other forms of credit (e.g. credit card) to pay for BNPL
 - Probe on deferral of other bills etc.
- Have they ever missed a BNPL repayment? What was their experience of this?
- Overall, how affordable do they think BNPL is as a way to pay for things?
 - Were they to have an unexpected bill of £500 what would they do?
 - If they had a substantial loss of income, what would they do? How would they cover any outstanding debt?

I’d now like to learn a bit more about the last time you used BNPL

- Ask them to describe their most recent experience covering:
 - What they bought and the circumstances they bought it in?
 - How typical this use of BNPL is in the context of their overall use of BNPL products?
 - Was it through a retailer’s website or a BNPL platform?
 - What BNPL brand they used?
 - Why they used BNPL rather than an alternative?
 - Overall experience of repayments
 - » If not completed, views on
 - Thinking about their journey over all, what were the highs and lows?
 - » If journey is very recent/ not complete ask about overall experiences using BNPL
 - Would they use BNPL again? Why?
- Has the pandemic affected they you use BNPL at all? If so, how?

Section 5: Understanding and perceptions of BNPL use [15 MINUTES 00:35–00:50]

Section purpose: To understand consumers' broader / more general perceptions of BNPL and the relative advantages/limitations of it as a product. We'll explicitly explore comparisons with other payment mechanisms.

Thinking generally about Buy Now Pay Later:

- How would they describe BNPL to someone who hadn't heard of it before?
 - Note spontaneous mentions of it as a credit product / way to borrow money vs a money management tool
- Who do they think BNPL providers are?/what type of business/organisation do they think BNPL are? ie. do they think they're banks? Credit card providers? Part of the retailer? Something different entirely?
- What do they think of BNPL?
 - What do they see as the **benefits/good points** about BNPL
 - » Note mentions/probe on:
 - > Ease of use/usability
 - > Ease of access
 - > Incentives to use (e.g. discounts from provider or realtor)
 - > Money management tool
 - > Their understanding of their consumer rights inc. section 75 and impact on credit rating
 - Overall, how affordable do they think BNPL is as a way to pay for things?
 - What do they see as the **downsides/bad points** about BNPL
 - » Note mentions/probe on:
 - > Ease of use/usability
 - > Ease of access
 - > Incentives to use (e.g. discounts from provider or realtor)
 - > Money management too
 - > Their understanding of their consumer rights inc. **section 75** and **impact on credit rating**
 - How do they think it **compares** to other ways they could pay for things?
 - Explore the following for both debit and other forms of credit [focus on credit cards/store cards as relevant]:
 - » Perceptions of **risk**
 - » Perceived **benefits**
 - » Perceived **downsides**
 - For credit cards explicitly explore:
 - » Credit rating: building credit reports and risk of damaging credit report
 - » Section 75 rights
 - Explore their understanding of the checks which BNPL make on their ability to borrow/use BNPL
 - How do they think being able to use BNPL has affected their spending habits and behaviours, if at all, compared with other ways to pay for things?
 - Probe specifically in relation to the pandemic

- Are they aware that BNPL is a type of consumer credit?
 - How do they think BNPL compares to other forms of credit?
 - Overall, how affordable do they think BNPL is compared with other forms of credit?

Section 5: BNPL providers, retailers and regulators [10 MINUTES 00:50–00:60]

Section purpose: to understand how BNPL view retailers who allow them to pay using BNPL and the fact that BNPL is currently unregulated.

The final few questions I have for you are about the places you shop at using BNPL products and about how BNPL is regulated

- Relationships with BNPL providers & retailers
 - What checks, if any, do you think the retailer has done before deciding to let you pay using BNPL
 - » Probe for checks on the BNPL provider vs the individual shopper
 - When you pay using a BNPL brand, who do you see your relationship as being with? The BNPL provider or the retailer?
 - If something were to go wrong with their BNPL purchase (e.g. the product wasn't right and you wanted to return it) who would then take that up with?
 - Do they understand that they are totally separate and that if something were to go wrong with a repayment that they would have to take it up with the provider?
 - Trust – how trustworthy do you see these different stakeholders to be? Who would you go to if you had a problem with a BNPL order?

Inform participant that:

- *Unlike credit cards, overdrafts and 0% finance deals, BNPL products are not regulated. This means that lenders don't have to carry out the same types of checks before you can borrow, and you don't have the same protections if things go wrong*
- Awareness of it not being regulated
- What does the participant think about BNPL not being regulated?
- Does that influence their perception of BNPL at all and their likelihood to use?

Gather any final thoughts on BNPL

Close and thank for time

Data analysis

All interviews were video recorded with participant consent and the recordings acted as virtual transcripts stored on a safe filing system. Each interview was reviewed and extensive moderator notes made and organized into a thematic spreadsheet shared between the research team.

The notes and thematic spreadsheet were then used as the source materials for two analysis sessions where hypotheses were tested and key insights agreed, which are presented in this report.

Which?

Which?, 2 Marylebone Road,
London NW1 4DF
Phone +44 (0)20 7770 7000
Fax +44 (0)20 7770 7600