

PayJustNow's CEO on the benefits of 'buy now pay later' for consumers and businesses

In a time when South Africa's retail industry faces a daunting economic landscape marked by inflation spikes and interest rate hikes, the 'buy now pay later' (BNPL) model is a burgeoning trend in payments that empowers both consumers and merchants by providing financial flexibility while driving retail growth.

 By [Lauren Hartzenberg](#) 6 Jun 2023



Craig Newborn, chief executive officer, PayJustNow. Source: Supplied

In a few short years, BNPL services have shaken up South Africa's retail credit market, providing a lifeline in a cash-strapped environment by offering consumers a convenient way to purchase goods and services online or in-store immediately without having to pay the full amount upfront.

Locally-developed BNPL services like PayJustNow align with SA payment cycles and allow shoppers to spread payments across three months interest-free. Customers are required to pay off one purchase before taking on another - hampering overspending and avoiding excessive debt. Meanwhile, risk-averse consumers are able to build up a positive credit record in a safe and manageable way without the usual risk.

For retailers, BNPL can broaden their customer base, improve the likelihood of a purchase and drive bigger baskets, among other benefits.

PayJustNow, which launched in August 2019, has already garnered over 840,000 consumers and partnered with 2,700 merchants, expanding its presence to over 6,000 points of sale. The company has seen phenomenal growth in the retail market, but the use cases for BNPL are varied and PayJustNow is eyeing expansion opportunities in other industries.

Here, chief executive officer Craig Newborn unpacks PayJustNow's unique value proposition, the challenges and opportunities faced on its growth journey, and trends the company plans to leverage.

■ ***How is South Africa's economic environment, characterised by elevated inflation and constant interest rate hikes, impacting the adoption of BNPL and the PayJustNow service in particular?***

The South African retail landscape is feeling hard done by as of late. Retailers across the spectrum are confronted with tough operating conditions amidst rolling blackouts and economic uncertainty, while their customers face the impact of rising inflation, interest rate hikes and skyrocketing living costs.

Just four years ago, Buy Now Pay Later (BNPL) as a concept was in its infancy. Now, less than four years after launching PayJustNow, we've seen the face of the South African retail credit market change, with an alternative payment solution that continues to win the hearts and minds of consumers and retailers alike.

PayJustNow's model was designed as a cash-flow-friendly budgeting tool to help consumer's money go further, without pushing their affordability beyond what they can handle.

Our model differs from competitors by aligning to the South African, and individual, payment cycles which are monthly as opposed to every two weeks. So, shoppers spread the cost of their purchases across three months interest- and fee-free, while receiving the goods immediately.



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■ ***What advantages does BNPL offer to consumers and merchants respectively?***

BNPL offers the new generation of consumers exactly what they want, which is choice, ease of use and trust. But it's also good news for merchants, as it drives greater sales, bigger basket sizes, and increases their customer base.

BNPL gives consumers the advantage of making important, discretionary purchases, but being smarter about it by splitting it over three months interest and fee-free and not breaking their bank account or landing themselves further into debt. All they need to do is pay on time. We've put a lot of effort into making a positive impact on consumers' lives by empowering them with knowledge and providing financial education at every opportunity.

The BNPL industry has seen a rapid uptick in demand from consumers locally. We more than tripled our customer numbers in 2022 and signed up over 41,000 new customers in March 2023 alone. We're seeing repeat customer spending accelerating, which shows us that customers love the product and continue to come back.

The merchants offering BNPL are benefitting from boosted sales and growth. At the end of June 2022, we had more than 1,540 merchants with 3,650 active online and in-store points of presence. Later in the same year, we had a growth of 2,350 merchants, with 4,310 points of presence - a 101% growth in merchant numbers for 2022. Currently, we have 840,000+ customers signed up and over 2,700 merchants at over 6,000 points of presence.

To further enhance our product offering, we launched Deals in November 2022 as a marketing product that allows retailers to offer discounts and vouchers to our highly engaged PayJustNow customers, who are on the lookout for deals.

■ ***Certainly, BNPL is becoming increasingly attractive to cash-strapped South Africans as the cost-of-living increases. How does your company ensure responsible lending practices and manage potential risks associated with this service in the market?***

There are many varying BNPL models entering the market, and it's important for consumers to understand how and when BNPL can help ease the pressure on their finances and improve their ability to budget. With that said, responsibility also lies in lenders to ensure they are applying safe lending practices.

PayJustNow does extensive credit profile checks on consumers. Our system assesses them across several key factors that ultimately give us an unbiased indication of affordability. We're helping the consumer to manage their budget better and in turn not contribute to the rising consumer debt or rely on heavy traditional credit lending options.

One of the many beauties of BNPL is that it creates responsible consumers. It's the safest, most risk-free alternative to credit out there. PayJustNow users must pay off one product before they can purchase another – and with each purchase, they build a better credit profile without the use of revolving credit.

Security is a risk factor we take seriously. In the age of digital accessibility, not everyone is online for the right reasons. We introduced selfie verification as a means of confirming the identification of the individual making the transaction, increasing our cybersecurity measures, and ensuring the privacy, and authenticity of online shopping transactions are safe for consumers.

The selfie is compared in real-time against your ID photo at Home Affairs, so we validate that it's you transacting. This dramatically reduces the risk of fraudsters getting their hands on our customer's personal information.



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■ ***BNPL as a payment method has made encouraging inroads into retail. Which retail categories tend to be the most popular for the payment method? Furthermore, in which industries outside of retail do you see the potential for BNPL uptake?***

The rising popularity and uptake of BNPL have allowed more retail businesses to compete in the e-commerce market. We have seen the most growth in clothing and apparel, footwear and lifestyle products which are three of the best-performing categories among our merchants and are contributing to the biggest online sales.

Other industries we are focusing on include:

- **Medical, health, and wellness:** Emergencies, wellness retreats, pharmaceuticals, personal training
- **Home improvement and DIY renovations:** Repairs like plumbing and electrical, upgrades and tool hire
- **Pet care:** Grooming, vets and kennels
- **Travel and entertainment:** Accommodation, air tickets, cruises, rentals and hospitality

We also see opportunities in:

- **Home services:** Cleaning, landscaping, pest control
- **Art and antiques:** Sentimental and collectable purchases
- **Education and training:** Short courses, boot camps and textbooks

▣ ***What challenges, if any, have you encountered in promoting and expanding BNPL services in South Africa?***

Some of the challenges we face as a business include:

- Other providers implementing exclusivity clauses with their retail partners, instead of giving consumers the choice.
- Retailers choosing a BNPL partner based on price without considering that price is dictated by: the term consumer has to pay the purchase off; and most importantly, one of the key metrics in the success of sale conversions is the underlying approval rate of the BNPL provider and this does have an impact on risk which needs to be priced in.
- Retailers are concerned BNPL will cannibalise their existing credit books which are key to their profitability however, we are seeing 80% of our users using a debit card which is driven by consumers looking for a cashflow tool without the burden of interest and fees.
- Integration timelines can delay onboarding although we have some light touch solutions that can be used in the interim



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▣ ***While BNPL began largely as an online payment tool, PayJustNow has witnessed encouraging growth of BNPL as an in-store payment method as well. What do you believe has influenced this shift/expansion?***

We specifically wanted to own the in-store purchasing offering in the BNPL market. We know that in-store shopping remains the largest retail market segment in South Africa. Partnering with locally-loved merchants like Edgars, Game, Adidas, etc. to offer our BNPL in-store has had a significant impact on driving increased sales and loyalty for both us and the merchants.

For a long time, retailers have offered split payment options to improve sales conversions. However, many of these options have limitations, which BNPL solves:

- Traditional credit requires supplementary documentation and approval times are often days/weeks which inevitably leads to lost opportunity as customers leave the store while they wait. In addition, interest and fee income needs to be paid before they can purchase again.
- Laybys are interest fee-free, but the costs to offer this for retailers include administration costs, additional stock room space, working capital and the risk of a returned layby needing to be marked down or moved.

PayJustNow solves this with a completely digital application process, instant approval and the benefit of shipping the goods immediately and getting paid in full.

▣ *What future trends or developments do you foresee for the growth of BNPL in South Africa, and how is PayJustNow positioning itself to capitalise on these opportunities?*

PayJustNow is becoming a partner to merchants, with the launch of three strategic verticals. Payments include BNPL, marketing & analytics as a service, and becoming a shopping destination for our customers

Payments - An opportunity exists for PayJustNow to expand our transaction volume and velocity by offering straight payments at lower transaction margins. The upside of this operationally serves PayJustNow and the merchants significantly.

Analytics – With rich consumer and transaction data, PayJustNow will be able to offer analytics that help the retailer increase conversions by analysing the application funnel, sales metrics, and consumer segmentation.

Marketing as a service – Consequential retail partners are paying a premium transaction fee to convert higher average order value transactions and convert transactions that would have erstwhile been deferred. PayJustNow has a highly engaged consumer base with access to spending power and a higher propensity to shop smart. PayJustNow is monetising marketing access to this “captive” audience and redirecting marketing spend that would have otherwise been spent at Google or Meta.

Shopping destination - PayJustNow’s recommendation engine will serve relevant retail partner content to known consumers and any modicum of success in the My Deals feature offers exclusively discounted pricing to the consumer; ultimately benefitting the consumer’s cash flow and the conversion of a transaction the retail partner too.

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