

3 PAIN POINTS OF FASHION E-COMMERCE

And How Payments Can Help Solve Them

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INTRODUCTION

WHAT CUSTOMERS EXPECT FROM RETAILERS AMIDST ECONOMIC DOWNTURN

In 2023, the retail fashion industry faces a changing shopping climate. The year before, with the end of the pandemic, many entrepreneurs still had strong growth in sight.

But after many months of staggering inflation, international conflicts and wars, unstable delivery chains and global climate change, executives have become far less optimistic. The same is true on the customer end. Today, up to 96% of global shoppers say they will shift to a rather cost-saving buying behavior in the future.¹

CUSTOMERS CHANGE SPENDING HABITS

This reluctance to spend is forcing fashion companies to rethink. Customers' financial leeway is getting smaller, so they are paying attention to their

spending. The fashion industry is one of the commercial sectors struck the hardest by this intention, with low- to mid-income customers cutting spending on luxury items, clothing and footwear.

For fashion companies, this means that they have to rethink the way they deal with their customers. As shoppers need to plan their spending more purposefully, a clear and enjoyable fashion shopping and payment experience is increasingly important to them. Customers want to:

- **enjoy the possibility of paying for their orders in a more flexible way, i.e. via installments.**
- **have a convenient way to return if the fashion item they buy doesn't turn out to be what they wanted.**
- **be sure that every fashion item they buy is worth their money – have it fully meet their expectations.**

Poor Market Sentiment Among Fashion Industry Leaders

2021



91%
OF LEADERS EXPECTED MARKET
CONDITIONS TO IMPROVE.

2022



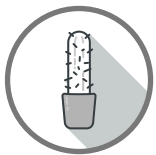
84%
OF LEADERS EXPECTED MARKET
CONDITIONS TO DETERIORATE.²

THE PAIN POINTS OF ONLINE FASHION RETAIL

Fashion retailers are already feeling the impact of these demands on their own businesses. Where they cannot meet them, customers are less willing to shop. And where they do want to meet them, they face a number of operational and technical challenges in their infrastructure.

In this white paper, we present three of the biggest pain points that online fashion retailers face. Each pain point relates to one of the above-mentioned customer requirements – and for each of them, we suggest a solution from the payment technology area that fashion retailers can implement to increase customer satisfaction.

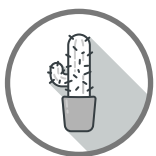
The pain points are:



PAIN POINT 1: REDUCED CUSTOMER SPENDING

Solution: BNPL

Inflation and increased living costs cause customers, especially younger generations, to spend less money on discretionary items. To address this, fashion retailers can offer a **Buy Now, Pay Later** (BNPL) solution. It allows flexible payment terms, making products more affordable for expense-conscious customers.



PAIN POINT 2: HIGH-COST AND HIGH-EFFORT RETURNS

Solution: Refunds to E-Wallet

Handling returns and refunds in e-commerce remains a significant challenge for fashion retailers. Customers' demand for easy return processes persists, as fitting and sizing are crucial in fashion. Complicated procedures, additional fees, and slow refund processes can lead to dissatisfied custom-

ers. The key to improving refunds lies in implementing the right technology. Electronic wallets offer simplified instant refund handling for all payment methods.



PAIN POINT 3: TRY BEFORE YOU BUY

Solution: Payment Links

The Try Before You Buy option is becoming increasingly popular with online fashion shoppers. It enables them to order items to try on and defer payments until they decide which items to keep. Complications arise when customers must be reminded to pay, or when dealing with mixed baskets from multiple merchants or failed payments. Pay-By-Link offers a convenient solution for Try Before You Buy environments. There, customers receive a unique payment link via e-mail, SMS or social media. It leads them to a checkout page, where they can easily complete the payment using their preferred methods.

Let's see how we can solve these problems.

DISCLAIMER

The figures in this whitepaper may include data from global, US and UK markets. However, there are differences in customer behavior between these regions due to factors such as culture, language, and legislation. It is important to consider these differences when interpreting the data and adjusting strategies based on target markets.



PAIN POINT 1

Reduced Consumer Spending

It's summer! Emilia, as a true Gen-Z fashionista, is stocking up on the latest seasonal products at her favorite label's online shop. However, with the rising costs of living, she finds herself moving items in and out of her basket. This cute maxi dress is non-negotiable – but €200? Why can't the platform give her the option of paying part now and part later?

HOW CAN BRANDS MAKE PRODUCTS MORE AFFORDABLE FOR EXPENSE-CONSCIOUS CUSTOMERS

Inflation persists while living costs are climbing up. Customers across demographics are becoming more cautious in their buying decisions as they have less money to spend on discretionary items.

This forces fashion and apparel companies to again redefine their strategies. A shift to online business has enabled the industry to compensate for the losses incurred in the brick-and-mortar business during the pandemic years.

However, this recovery period did only last for a short time as international conflicts and wars put pressure on delivery chains. We experience high inflation rates and climbing energy costs in many parts of the Western world. In other parts such as

Africa, even the basis of human existence like food security is threatened.

Overall, many economies are less stable than they used to be. This had a significant impact on customers' buying behavior. Households have become more cautious about their spending.

Fashion retailers must rethink their strategies to encourage customer spending and provide those customers with greater financial flexibility.



70 %

OF GLOBAL CONSUMERS ARE SOMEWHAT OR VERY CONCERNED ABOUT THEIR FINANCIAL SITUATION.³



50 %

OF UK CONSUMERS SAY THEY WANT TO CUT BACK ON BUYING CLOTHING.⁴

THE PROBLEM: LESS SPENDING BY CORE DEMOGRAPHICS

YOUNGER CUSTOMERS ESPECIALLY AFFECTED

Younger generations – Millennials and Gen Z – are particularly battered by increased living costs and financial constraints. At the same time, they also represent the fashion industry's most attractive customer groups.

Gen Z, the youngest generation to have entered the workforce now, is image-conscious and the main demographic behind many upcoming fashion trends, such as:

- Social commerce
- Gender-neutral fashion
- Body-positive sizing
- Fashion metaverse
- DIY, second-hand and upcycling
- Sustainable fashion

PROJECTED GLOBAL GROWTH IN FASHION FOR 2023⁷



Necessity Item Market
-2% to +3%



Luxury Item Market
+5% to +10%

HESITATION ACROSS AGE GROUPS

The buying preferences and financial situation of older generations also shift. Older generations like the Baby Boomers and the Greatest Generation have other financial concerns than their younger peers. On average, they have bigger financial resources, but they also face different challenges regarding their purchasing power.

For example, those customers also feel the impact of the increased cost of living – especially regarding mobility, health, accessibility, and diet. As a result, customers of all age groups are becoming increasingly price-conscious but don't want to stop consuming completely. And for many, fashion ranks high on the list of expenses to cut back on.

IMPACT VARIES AMONG INCOME LEVELS

Income plays a huge role in customers' fashion spending habits. Low to mid-income demographics are more concerned than high-income ones.

CUSTOMERS WANT FINANCIAL FLEXIBILITY

Especially younger generations don't want to pass on self-expression: Fashion is Gen Z's favorite entertainment category – outranking even music and video games.

Yet, customers of all age groups are looking for ways to increase their financial flexibility, instead of denying themselves purchases.

Fashion companies can improve their standing with customers by offering such flexibility during their shopping process.

THE SOLUTION: BUY NOW, PAY LATER

Buy Now, Pay Later presents a fruitful opportunity for fashion companies to offer customers flexible payment terms.

As a variant of the purchase-on-account payment method, Buy Now, Pay Later is particularly suitable for short-term financing of purchases. Fashion companies can tailor the terms of their BNPL payments to suit the customer groups they are targeting.

In addition to full payment on a fixed due date, some BNPL providers offer the option of partial pre-payment and allow customers to purchase a product over several installments – without interest rate.

BENEFITS FOR RETAILERS

Address Key Customer Groups

Buy Now, Pay Later is popular – especially among younger demographics.

Buy Now, Pay Later is becoming more and more prevalent. That is especially true for customer demographics: Gen Z and Millennials (Gen Y) are a key target group for BNPL – not surprising as those two generations are the most dominant in online spaces.

UK Customers who use BNPL:¹²

Gen Z: 42 %

Gen Y: 49 %

This payment method is growing across the board: More than half of US customers of luxury specialty stores who do not yet use BNPL show interest in it, as of 2022.¹¹ Thus, BNPL has bloomed into a go-to payment method and as it is becoming more widely available, customers are starting to expect it when shopping online.

Make Products More Affordable

Buy Now, Pay Later opens up ways to low- and mid-income customer groups.

In 2022, research by the U.S. Consumer Financial Protection Bureau found out that Buy Now, Pay Later is most popular among customers with annual incomes between US\$20,000 and US\$50,000.¹⁴

Why BNPL and Not Credit Cards?



55 % OF GEN Z
66 % OF GEN Y

Few young US customers own a credit card as of 2023⁸

38 %
OF BNPL USERS

Many customers say, BNPL will replace credit cards¹⁰

+ 400 %
GLOBAL USAGE

High BNPL transaction value growth from 2019 to 2021⁹

~43 %

OF US CUSTOMERS ACROSS SHOP TYPES ARE WILLING TO SWITCH TO RETAILERS WHO OFFER BNPL ²⁶

However, at the income level below that, more than 10% of customers also resort to deferred payments via BNPL.¹⁵ By offering the payment method, fashion companies can make even high-price products affordable to customer groups for which those would normally be out of scope.

Increase Conversion and Revenue

Customers who have BNPL options make more purchases and spend more.

Offering BNPL at checkout reduces cart abandonment rates significantly. At the same time, conversion rates increase by a large share. Both are the result of customers having the feeling that they can manage their expenses better where BNPL is an option. What's more, offering Buy Now, Pay Later also has a positive impact on average order value as UK merchants noted.

Boost Customer Loyalty

Buy Now, Pay Later makes customers loyal to a brand.

Straightforward payment processes and preferred payment options are very important for customers. As Bain & Company stated in 2021, more than

one-third of merchants note higher customer satisfaction after integrating BNPL into the checkout.²² About the same number of merchants also reported that customers made more frequent purchases from them.²³

Indeed, for certain demographics offering BNPL can also increase the brand's image: In 2022, more than two-thirds of US customers of the Millennials and Gen Z admitted to having formed a positive image of luxury retailers offering BNPL.²⁴

Support Sustainability Strategy

Buy Now, Pay Later can help support the sustainability strategy of a brand.

Customers increasingly want products and services to be more sustainable. In 2019, both Gen Z and also Millennials expressed their willingness to pay higher prices for fashion produced under climate-friendly conditions – more than half of them say they would pay up to 10% more if an item were more sustainable.¹⁷

At the same time, according to a study by nosto, pricing is one of the main factors why people don't buy sustainable clothing.¹⁸ By offering BNPL options, customers can more easily afford such products.

BENEFITS FOR CUSTOMERS

High Accessibility

Customers can get started right away with BNPL.

When compared to credit cards, Buy Now, Pay Later features more convenient onboarding and usage. Even for larger installment purchases, customers don't have to enter a cumbersome application process with their banks. That makes BNPL a great alternative to typical credit cards. Almost half of US customers who can't access bank loans or credit cards agree.²⁵

Lower Costs and Fees

The conditions of BNPL give customers low-cost access to credit and installment payments.

In a 2022 study by Affirm, up to one-quarter of US customers stated credit-related reasons for choosing BNPL.²⁷ This includes reasons concerning

"Available credit options" or "Credit limit with other instruments" for instance. For those customers, it's positive that many retail platforms and BNPL providers request no interest rates for BNPL purchases. In addition, they keep overdue fees low. In 2021, UK customers have named the absence of fees as the number 1 reason why they rely on BNPL.²⁸

Financial Flexibility

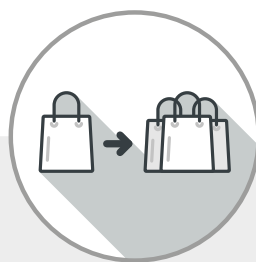
Customers achieve higher financial flexibility through Buy Now, Pay Later.

BNPL helps customers manage their expenditures across all price ranges. It also makes high-cost purchases more affordable for broader customer demographics. Numbers by Forbes showed that in 2022 two-thirds of American customers used BNPL primarily to reduce the impact of a big purchase on their financial situation.²⁹ The option to postpone payments can be especially worthwhile for lower income levels. Nearly half of UK shoppers in 2021 put up "Couldn't afford the whole price of a purchase up front" as the main reason for BNPL.³⁰



+ 40 %

cart conversion on US shopping platforms when BNPL is offered²⁰



46 %

of UK merchants report that BNPL-using customers make larger purchases²¹



58 %

of US customers have used BNPL when shopping for clothing¹³

HOW COREWALLET CAN HELP SOLVE THE PAIN POINT



BUY NOW, PAY LATER SOLUTIONS VARY IN FEATURES AND EXECUTION

As a fashion company, you can apply several BNPL strategies to best suit your customer demographics, budgets, and business goals. The most fundamental decision you have to make would be:

- Build your own BNPL solution or
- Integrate BNPL solutions by 3rd parties

While both approaches have their unique benefits, you most gain from a solution that:

- Fits your unique business needs
- Is flexible and manageable, so you avoid vendor lock-in
- Leaves you in control of the customer journey and lets you own the customer relationship
- Is ready in a relatively short time to market

CoreWallet, our payment software framework can check all the marks. It allows you to build feature-rich payment systems of varying capabilities.

COREWALLET FOR IN-HOUSE BNPL SYSTEMS

CoreWallet provides all the basic building blocks necessary for such a solution. With the framework you can, for example:

- Establish electronic wallets as the foundation of your BNPL system
- Set up limits and fees based on customer verification levels and other configurable criteria
- Own and analyze all customer and payment data
- Develop a seamless customer journey that matches your business vision, building a close customer relationship

COREWALLET WITH EXTERNAL BNPL PROVIDERS

CoreWallet can also be used to create payment systems that provide you with more flexibility when relying on external providers. The software enables you to, for instance:

- Set up a payment orchestration layer, so you no longer have to integrate every BNPL provider one by one
- Route payment requests via the orchestration layer to always pick the best option for you and the customer
- Use CoreWallet's integration points for 3rd parties, to integrate risk management and KYC solutions, mitigating the risk of BNPL payment failures



PAIN POINT 2

Refund Costs And Efforts

It's here! Emilia pays the delivery man in cash at the door. But after unpacking, she realizes that her maxi dress doesn't quite look like it does in the photos. The fabric is much too thin. Emilia fills in a complicated return form on the store page. But the retailer charges fees and a refund to her bank account is the only option. That takes days or weeks – Emilia would like to get that out of her head quickly.

HOW CAN BRANDS MAKE CUSTOMERS HAPPY WITH QUICK AND FRICTIONLESS REFUNDS

Handling returns and refunds remains one of the biggest problem areas in e-commerce. The overall online return rates might have declined recently – e.g. on the US market, 20% in 2021 became 16% in 2022.³²

Yet, that might not grant retailers relief. Customers demand for easy ways to return goods remains undiminished. In the fashion industry, customers are highly inclined to return items because they prefer to see, touch, and try on products before making a decision. If items don't fit, it won't work for them.

Globally, fashion e-commerce experiences diverse reasons for returns. "Poor fit" is the primary factor, accounting for 38% of returns, followed by quality concerns. Approx. 14% of online shoppers return items due to perceived inferior overall quality, and 13% cite specific defects or faults in the product.³³

Interestingly, as many as 12% of customers plan from the outset not to keep everything. This demonstrates that returning items is an important part of the online fashion shopping process. Since customers cannot try on the items, "ordering and returning" offers itself as a substitute action. Virtual dressing rooms are still in their infancy. Online retailers are therefore adopting Try Before You Buy services (more about that under Pain Point 3). Customers have plenty reasons, why they return items. And fashion retailers want to cater to those.

RETURN RATES IN US AND UK FASHION INDUSTRY, 2018³⁴



Clothing and Shoes
56%



Accessories
30%

THE PROBLEM:

REFUND COSTS AND EFFORTS

Fashion retailers know that providing efficient returns and refunds is crucial for customer satisfaction. However, in the world of online retail, several challenges can hinder a smooth customer experience when handling returns, such as:

- Complicated return procedures
- Lack of transparency in the process
- Additional fees for returns
- Slow or complicated refund processes

Those issues can lead to unhappy customers. To address these concerns, companies are considering bold strategic turnarounds, including improvements in logistics, storage management, and front-end operations.

It's important to note the difference between returns and refunds. While returns often lead to refunds, they don't always have to. For instance, in Buy Now, Pay Later or Try Before You Buy schemes, returns may only lead to a partial refund or no refund at all – since the customer has not paid the full amount when they return the items.

CUSTOMERS EXPECT CONVENIENT REFUNDS

Retailers understand the importance of having a solid refund system in place. It plays a crucial role in maintaining strong customer relationships. And it's in a fashion retailer's interest to remain in good graces with customers who make use of return services frequently. The fact that these customers make a high number of returns suggests that they are still making frequent purchases from the retailer. One could say: Customers who often return items, often return to the platform.

Two sometimes conflicting factors are causing problems in refunds:

- The desire of customers for fast, frictionless refunds.
- The additional costs of refunds that companies want to avoid.

The good news is: Retailers can solve both challenges with the right technology. Thus the key to improving refunds in online fashion lies in a company's payment system.



RETAILERS DON'T WANT TO SACRIFICE PROFITS FOR RETURNS

Returns are expensive – and these costs have risen in recent years due to economic turbulence, inflation and changes in consumer behavior.

Free returns – a must-have service from the customer's perspective – are increasingly seen by retailers as a burden on the profitability of their own business. Shipping, however, is only one building block in the multi-level cost structure towering over the fashion industry. The primary cost drivers for returns are:

- Shipping costs
- Internal process costs
(reprocessing for resale, etc.)
- Fees for refunds to different payment providers

Many fashion and apparel companies are trying to improve these factors through measures such as process optimization, automation or more restrictive return policies. This is often not possible, without massive interventions in their own operations.

At least the last cost point can be remedied by revamping the company's own payment technology and the customer payment path, without having to overturn the entire way of business.

THE SOLUTION: REFUNDS TO E-WALLET

Looking at the above, we can identify three main problems of refunds, related to digital payment systems:

- Offering straightforward, frictionless refunds
- Providing fast payout, meeting the demand of customers, who don't want to wait days for the money
- Reducing costs by saving refund fees, that might be applicable for refunds to the original source of payment

The different payment methods and providers involved may turn refund processing into a complicated endeavor. Refunds often happen outside the direct control of the retailer. Sometimes it will take days to refund the money to customers.

To get more control over the refund process, fashion retailers can use digital wallets (also called electronic wallets or e-wallets). In such an e-wallet system, customers could choose to refund the money for a returned order to their e-wallet accounts. Electronic wallets come with many benefits for customers and retailers alike.

BENEFITS FOR RETAILERS

Easier Handling of Refunds

E-Wallets allow simple refund handling for all payment methods.

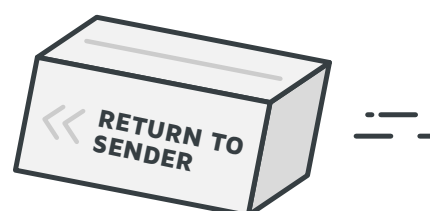
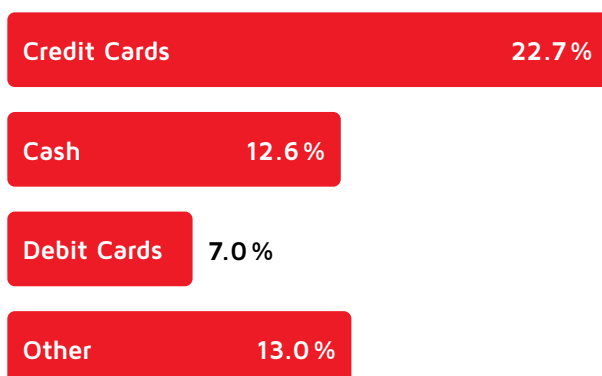
On international fashion marketplaces, different payment methods can be offered for a customer to make a purchase. An e-wallet system allows merchants to refund purchases made with payment methods, where returning the money to the original source of payment is complicated – or even outright impossible as with cash-on-delivery or voucher payments.

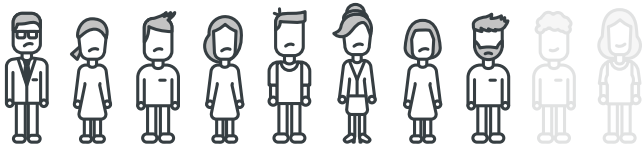
Lower Costs

E-Wallets help save payment provider fees.

A large part of the underlying cost of payment processing stems from fees charged by PSPs, banks and credit card schemes (e.g. Visa, Mastercard...). They also charge fees for refunds, which can add up if customers need them often. Refunding the amount to e-wallets instead of the original payment source circumvents those fees, reducing costs for fashion merchants and platform owners.

Return Percentage per Payment Method in the UK, 2021³⁶





UK CUSTOMERS DON'T TOLERATE SUB-PAR RETURNS: 8 IN 10 WOULD ABANDON A RETAILER AFTER A POOR RETURNS EXPERIENCE³⁸

On-Platform Refunds

E-Wallets encourage respending money on the platform.

With e-wallet refunds, the refunded money remains on the shopping platform. Even if customers later decide to withdraw the money, they have to return to the platform and might find something they like in the offers there. In the best case, customers use this balance again to buy on the platform once more.

Multi-Vendor and Partial Refunds Are Easier

E-Wallets handle multi-vendor and partial refunds smoothly.

In online fashion marketplaces, multi-vendor purchases are common, when the customers have a mixed basket with goods from different merchants. And even in single-merchant online stores, a customer does not necessarily want to return all items. E-wallets can simplify the handling of refunds for multi-vendor purchases and partial refunds if the platform uses e-wallets both for merchants and for customers to track the money transfers and sources of money in a very detailed manner.

BENEFITS FOR CUSTOMERS

Quicker Refunds / Instant Gratification

E-Wallets process payouts faster.

For some payment methods, refund processing may take up to several days before the customer gets the money from their original source of payment. Refunds to e-wallets happen immediately and the customer can decide whether to spend the money again on the platform or to withdraw to their bank account at a later point in time.

Better for Unbanked Customers

E-Wallet owners don't need bank accounts.

In some markets, customers use specific cash-based payment methods such as cash-on-delivery or voucher payments. Often, they do so, because they are unbanked or underbanked. For those customers, refunds payouts are not always possible, as the money cannot be returned to the original source of payment or there are no bank accounts where the money could go. E-wallets can act as an alternative here and can give unbanked customers more confidence to shop.

HOW COREWALLET CAN HELP SOLVE THE PAIN POINT



The consensus in the fashion industry is that fixing returns and refunds has to be listed higher in business strategy agendas: Two thirds of fashion retailers say they have a strategy in place to improve the economics of returns.³⁹ But how to proceed?

Settling for a third party to provide a turnkey payment solution might be the quickest way to implement an electronic wallet for your platform. Such solutions might entail a number of problems, though, such as:

- They might not align perfectly with your platform's intended user experience or design
- You don't have full control over the user data processed in the solution
- Making adjustments can be complicated and you are dependent on the provider for feature updates and security measures

However, you might still hesitate to build your own electronic wallet solution. You understand that such a custom-tailored e-wallet system would fit your business requirements to a tee. But you are concerned that the project will take too long. Creating financial software requires highly specific domain knowledge that might be lacking in your team currently.

CoreWallet has been designed to relieve you from such worries. It provides all the basic building blocks and features of a full-fledged e-wallet, on which you can build your own solution. It is more flexible than any off-the-rack wallet. With CoreWallet, you:

- Create an electronic wallet that can handle refunds the way you want
- Remain in control of customer data and in charge of feature updates
- Get the support of an experienced team of payment software engineers
- Implement the solution within a shorter timeframe than building it from scratch

CoreWallet is already in use in more than 50 countries worldwide, handling payments and refunds in a large number of currencies.



PAIN POINT 3

Try Before You Buy

Emilia no longer buys anything she hasn't tried on at first. So she browses online for a new maxi dress. To try it on, she has to go to a brick-and-mortar store. When she arrives, the dress is already out of stock in her size. Emilia would like it if the item could simply be brought home for her to try on.

HOW CAN COMPANIES SIMPLIFY DEFERRED PAYMENTS

There is one quality about a fashion item, that's indisputable: The fit. Customers won't buy a set of clothing, shoes or accessories that don't fit. So, in online retail, they increasingly demand the option to defer payments until they have decided what to keep and what to return.

Here, we are in the territory of the so-called Try Before You Buy option. With it, customers are free to order items online. The items are then sent to those customers to try on. Once they've made their choice they send back what they don't want and what doesn't fit. It is only at this point that customers pay the remaining order.

Some luxury companies like NET-A-PORTER have taken such services a step further, with Try On, We Wait services. The delivery drivers wait for customers to try on the items. Then they take the returns with them. In this case, payment can even occur at a mobile point-of-sale.

To some degree, such practices aim to mimic trying on in brick-and-mortar stores. Customers increasingly rely on such services as a pillar of their online fashion shopping routines. Ordering items in different sizes and returning some of them has become a common practice among many shoppers.

To grant their customers such options, companies must have well-oiled deferred payment processes in place. That's not a triviality.

41% OF UK CUSTOMERS SAID THEY BOUGHT THE SAME ITEM IN MULTIPLE SIZES FOR TRY-ON.⁴⁰

THE PROBLEM: COLLECTING CUSTOMER PAYMENTS

Try Before You Buy turns the common order of online shopping on its heel. In contrast to standard e-commerce transactions, fulfillment lies with the customer. The retailer does not wait for the payment transaction to be completed before sending out the goods, it's the other way around.

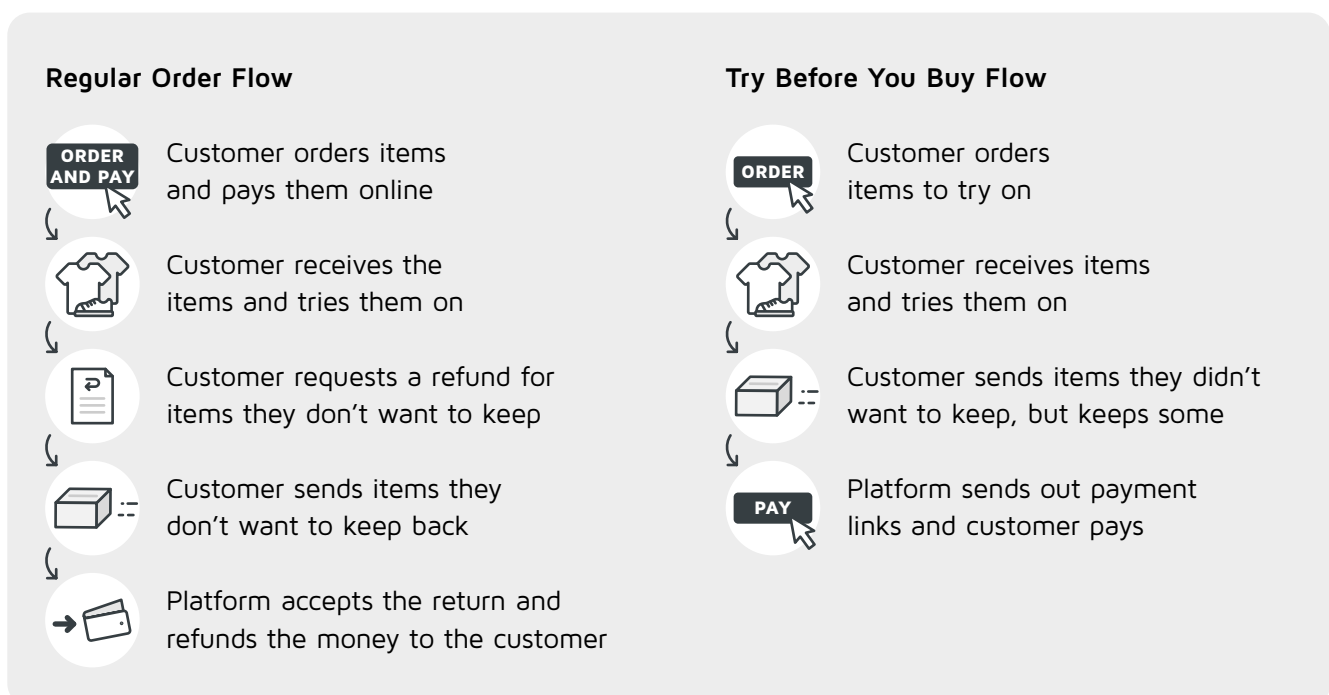
That means customers are not necessarily in a payment mindset when they receive their orders. During the online checkout, they are in the middle of the buying process. During Try Before You Buy, the payment process is downstream from the purchase. Customers must become active to pay for their order – and that is something that may fall by the wayside in their busy lives.

CHECKOUT AND MULTI-CHANNEL NOTIFICATIONS

The biggest challenge in postpaid is reaching out to customers and reminding them of their obligation to pay. In such a postpaid flow the customer will be actively steered back to a secure online payment page. Alternatively, they may choose to pay by bank transfer at their online banking platform, but still they would need the payment information.

In any case, the crucial factor is communication. Just e-mail reminders might not be enough. With Try Before You Buy, companies must make sure to reach customers where they spent their time.

How Try Before You Buy Improves Customer Experience



Examples include Social Media or Messenger Apps notifications. The most convenient way for customers would be the option to pay immediately after reading the reminder message using a generated payment link.

ADDITIONAL COMPLICATIONS

There are several factors that can increase the complexity of deferred payments. Examples include:

- Mixed Baskets that form when customers buy from multiple merchants at online marketplaces. Here, a part of the order might be delivered for Try Before You Buy examination, while another part has to be paid right away. Or different payment and return policies may apply to different merchants – and when coordinating customer returns and payments, the platform owner must make sure to adhere to them.
- Late or Unfulfilled Payments are a major course of concern for many retailers. To keep customers from dragging out the fulfillment period, many of them set up tight payment and return deadlines. Companies might even specify in their terms and conditions, that missing the mark for returns will end in customers being charged the full amount. On the other hand, payment deadlines might be missed without the customer's direct involvement, for example, due to payment failures on a PSPs side. There, it's still up to the retailer to present customers channels for payment retry via different payment methods.

71% OF US CUSTOMERS SAID THEY WOULD USE TRY BEFORE YOU BUY OPTIONS IF OFFERED.⁴¹

THE SOLUTION: PAY-BY-LINK

Pay-By-Link stands out as a convenient way of payment in Try Before You Buy environments – for customers and retailers alike. In a Pay-By-Link system, the customer receives a unique link on his preferred communication channel. This link is bound to the specifications of an order (such as price, list of items, preferred payment method etc.) and is typically generated automatically.

Clicking on the link leads customers to a checkout page. This page can be as elaborate or as minimalist as a retailer can imagine.

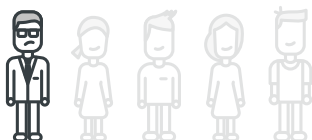
For high-volume fashion and luxury retailers, other benefits of payment request links hold more weight. Mainly, we're referring to the enormous flexibility of Pay-By-Link here. Payment links can take many shapes:

- URLs
- QR Codes
- "Pay Now"-Buttons
- etc.

In this regard, payment links can easily be incorporated into any digital context that retailers would want them to appear in. The links are typically sent out automatically over predetermined channels, but retailers can also manually "drop" them into the correspondence with their customers. E.g. payment links can be presented:

- On social media platforms (Facebook, Instagram, etc.)
- In e-mails and e-invoices
- In SMS
- In social messenger posts (WhatsApp, Twitter)
- etc.

Pay-By-Link requests can find application not only in the Try Before You Buy flow, but also in other shopping contexts. This includes omnichannel shopping at a physical shop, e.g. using the QR code presentation of the payment link. Even recurring payments are possible, with the company firing payment links each time a new payment is due.



1 IN 5 CUSTOMERS NAMES "HAVING TO PAY UPFRONT FOR ITEMS I END UP RETURNING" AS A FRUSTRATING ELEMENT OF SHOPPING ONLINE.⁴²

BENEFITS FOR RETAILERS

Ready to Try Before You Buy

Payment links are a top choice for Try Before You Buy.

Once a customer has decided what to return, the platform can give out the link to start the payment. And as this can happen through multiple channels, the request reaches customers with a higher certainty. What's more, payment links work perfectly with Try On, We Wait services, too. When the courier collects the items to return, they can trigger payment links to be sent out via a mobile device. Thus, the customer can pay right on the spot.

Payment Failure Fallback

Payment links present a nice fallback when payments fail.

Payment links can turn failed payments into completed payments, no matter the cause – be it due to credit card issues, insufficient funds, or because the customer missed out on a BNPL installment. In such cases, fashion companies can simply shoot a payment link to let customers settle outstanding debts with an alternative payment method. Plus, as payment links can be sent out via social media, it's more likely for the customer to see them.

Channel Agnostic

Payment links supplement social selling strategies.

Many fashion companies have realized the potential of so-called Social Selling. Here, companies interact with their target groups on social media platforms, turning followers into buyers. With payment links, companies can handle payments right on social media, so the transaction starts on the platform, their customer relations center around.

BENEFITS FOR CUSTOMERS

Choice of Payment Method

Payment links can present customers with their payment favorites.

Payment links can be tied to a variety of different payment methods, including local ones – from bank account transfers to digital wallets or credit cards. Customers will appreciate this range of choices.

Simple Checkout

Payment links are intuitive to use for customers.

Pay-By-Link transactions often take just a few clicks. When the customer clicks on the link, they are forwarded to a checkout page where they can choose the payment method and enter the required information. As more information is pre-filled as more convenient the checkout experience will be for the customer.

Payment On-The-Go

Customers can complete transactions on the fly.

Payment links are designed to be dropped into communication channels like social media or customer service chatbot messages. This makes them well-suited for mobile commerce. Customers can perform their payments wherever they are.

AVERAGE U.S. BUSINESSES LOSE ~\$1.2MILLION IN UNCOLLECTED REVENUE PER YEAR.⁴³

HOW COREWALLET CAN HELP SOLVE THE PAIN POINT



Payment links show their main strengths where retailers offer their customers a postpaid flow with many different payment methods. This makes the checkout most convenient for the customer and makes payment links a good choice for different payment contexts such as:

- Deferred Payments with Try Before You Buy
- Payment reminders in case of missing an installment payment
- Payment retries after failed payment
- Recurring payments for subscription-based services

As an all-in-one payment and e-wallet framework, CoreWallet comes with a number of features that make payment link processing easy.

PAYMENT LINK GENERATION AND RECONCILIATION

CoreWallet can track customer and payment data, as well as reconcile orders and payments – in single-shop and marketplace environments. This data can be used to create payment links that contain all the required payment information.

PAYMENT METHOD INTEGRATION

CoreWallet allows companies to integrate multiple international payment service providers. This is all done via a single, unified payment orchestration layer. It's even possible to configure a payment routing so that transactions are forwarded to the payment providers with the lowest costs or highest success rates.

AND MORE

CoreWallet offers even more options to help fashion companies build a streamlined and cost-effective payment link checkout.

- It can incorporate anti-risk and anti-fraud solutions from third parties via integration points to prevent known Try Before You Buy fraud.
- It provides the core of a customer e-wallet system for the retailer's platform, to allow customers to pay by e-money balance.
- It allows companies to store and access historical payment data – a great source of information for payment analytics purposes.



CONCLUSION

Emilia is happy to shop again!

Emilia spreads out her purchase in front of her. A lot of things have come together. That's partly because her favorite brand has started offering her convenient BNPL options. And thanks to Try Before You Buy she knows that the clothes will fit her. She's just not sure about the shoes – the color might not fit with the dress that hasn't been delivered yet. But then she just sends them back and can buy new ones directly with the refunded money in her e-wallet account.

EXPANDING PAYMENT OPTIONS: A REMEDY FOR FASHION PAIN POINTS

In light of the economic slowdown, customers have become more expense-conscious and selective with their consumer choices. This causes various pain points for fashion retailers who want to keep customer conversion and retention high. All those pain points can be addressed from various angles, but the retailer's payment infrastructure often plays a huge role here.

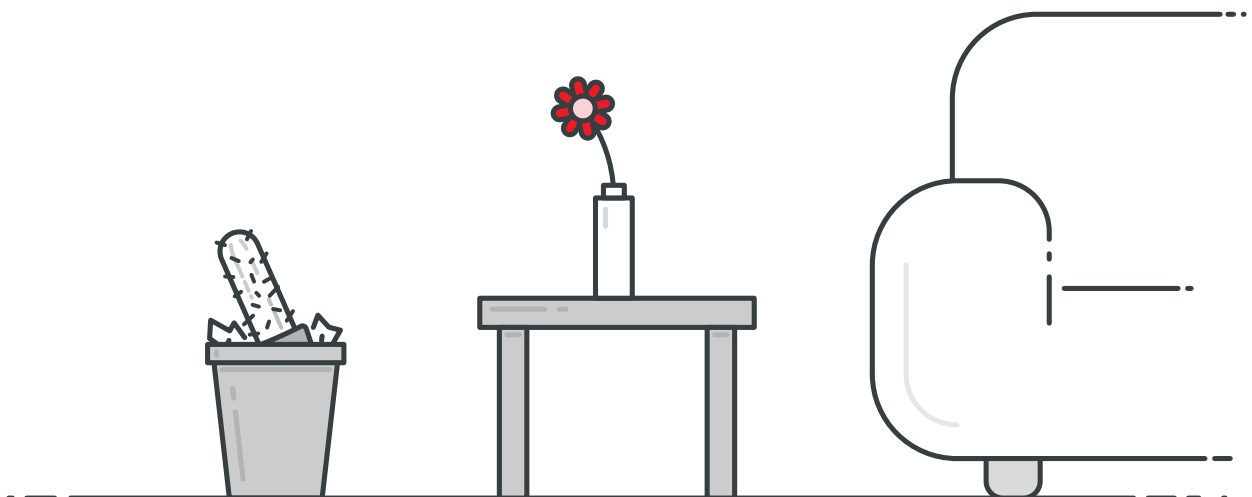
For instance, retailers can consider offering their customers flexible payment options like Buy Now, Pay Later (BNPL). BNPL allows customers to make purchases and pay for them in installments and at a later point in time, making high-priced items more accessible to a wider range of demographics. This approach can also support retailers' sustainability strategies, increase conversion rates, reduce cart abandonment, and boost customer loyalty.

Additionally, to address customer demand for quick and frictionless refunds, fashion retailers can improve their refund processes. Depending on the

payment method a refund processing may take several days and lead to additional fees. Establishing customer e-wallets enables instant refunds, enhances transparency, eliminates additional fees and helps maintain strong customer relationships.

Finally, customers appreciate trying on clothes in their own time and space, increasing the likelihood of finding the right fit. This can be addressed through a Try Before You Buy system, flanked by a Pay-By-Link payment system, sending out links via email, SMS, or social messengers. Also, payment links give customers a convenient way to conclude payments with alternative payment methods in the case of failure. Automation of payment retries with Pay-By-Link can save payment failure processing costs for retailers.

Overall, by adopting these strategies, online fashion retailers can enhance the shopping experience, increase customer satisfaction, and improve their bottom line.





MAKE FASHION PAYMENTS HAPPEN, WITH COREWALLET

CoreWallet is a software framework that enables you to build an online payment solution of any shape or form. It comes with all the core features for payment transaction handling and allows for the quick integration of various payment methods and third-party solutions.

With CoreWallet you get:

- A battle-proven software framework that is used in payment solutions all over the globe
- A powerful electronic wallet system
- A unified payment orchestration platform with configurable payment routing

- End-to-end support by Software Engineers and Solution Architects, who have built payment products for big international enterprises
- Project management and technical payment consultation – we help you to choose the PSPs that make your local payment panoply shine
- And much more ...

**Contact us and book a free
CoreWallet demo:**

info@triplemint.com

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This whitepaper was researched and compiled by the payment experts at trimplement. trimplement is a leading payment consulting and software development company. With our multi-national team of developers, we help clients meet global challenges with purpose-built solutions based on CoreWallet – our flexible B2B e-wallet framework, that already operates in more than 50+ countries worldwide. For over a decade, we have

created custom payment orchestration and e-wallet solutions for global enterprises and financial institutions like BMW, Deutsche Bank, Tide, Delivery Hero and PayU.

We're looking forward to telling you more:

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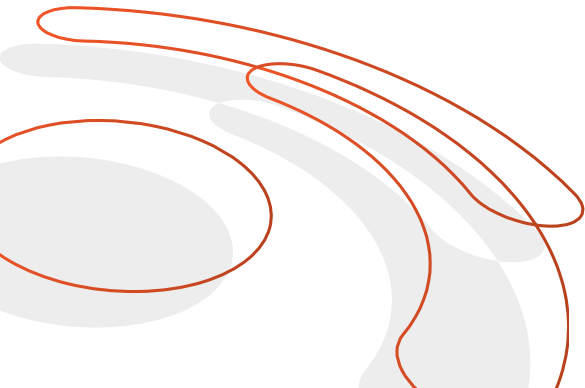
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Natallia Martchouk is one of the three co-founders and directors at trimplement. Holding a Master of Computer Science, she has worked as a software engineer in the financial industry since 2006, before she established trimplement in 2010. Natallia is also always keeping step with new developments in technology and entrepreneurship and has been creating insightful articles about blockchain technology, the platform economy and the state of global fintech, among other topics.



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