Integrating Buy-Now-Pay-Later payment services with in-store POS solutions

MWC PARTNERS

Introduction

'Buy-Now-Pay-Later' (or BNPL) has become a standard means of payment across many online (or eCommerce) stores. This payment method provides customers with the flexibility to spread their payments over multiple instalments across an extended period, rather than paying in full for the goods at the time of sale.

When an online customer progresses to payment, many merchants will offer them the option to pay using a Buy-Now-Pay-Later service. If the customer is a first-time user of Buy-Now-Pay-Later, they are usually required to sign up to the service. This allows the Buy-Now-Pay-Later provider to perform credit checks on the customer and to determine what 'pay later' options the customer is eligible for.

Customers who are already signed up are presented with a credit agreement outlining the terms of their payment. When accepted by the customer, the Buy-Now-Pay-Later provider authorises the agreement, paying the merchant in full and accepting responsibility for collecting the agreed amount(s) from the customer. Control of the transaction is then returned to the eCommerce site.

Buy-Now-Pay-Later transactions conducted on eCommerce sites are fast and user-friendly, and also allow the customer to complete the online checkout at their leisure.

Merchants and Buy-Now-Pay-Later providers are keen to replicate the success they have achieved online in recent years, by also offering the option to pay for goods in-store using Buy-Now-Pay-Later services. However, transferring the Buy-Now-Pay-Later experience from the online world into physical stores presents several challenges for both merchants and their Buy-Now-Pay-Later partners.

So, what are these challenges and how do Buy-Now-Pay-Later providers overcome them when looking to move in-store and successfully integrate their payment service with the retailer's in-store POS solution?

Challenges

1 - Speed of checkout

Unlike in online retailing where customers are free to check-out at their own pace, retailing in-store requires fast customer service at the till point - ensuring that the time customers spend queueing is kept to a minimum. When a transaction has been started in-store and a new customer chooses to pay with a Buy-Now-Pay-Later service, the POS solution is usually locked for the exclusive service of that customer until the transaction is completed. Lengthy queueing times are one of the biggest deterrents to a positive shopping experience - which is why the process of entering customer details, distributing the credit agreement and confirming approval of the latter must be as fast and seamless as possible.

To help achieve this, we recommend that Buy-Now-Pay-Later providers abide by the following in-store best practices:

- Encourage customers to sign-up to the Buy-Now-Pay-Later service or download the required Buy-Now-Pay-Later App before they reach the front of the queue.
- Confirm with the customer, prior to initiating the Buy-Now-Pay-Later process, that they will be able to complete the payment process online (ie. the customer has a personal device connected to the internet and can receive communications from the Buy-Now-Pay-Later provider).
- Display advertisements and instructions throughout the store that explain the process and benefits of Buy-Now-Pay-Later in-store, in order to reduce the number of customers queuing for information.
- Remain patient while a customer is completing actions on their own device, and do not attempt to take over their device to control the transaction - all required controls will be available to the cashier on their POS solution.

2 - Decentralisation

Unlike in an e-commerce set-up where all customer devices are communicating with the same back-end webserver, all in-store POS solutions must have the ability to communicate securely with the Buy-Now-Pay-Later provider via their API. This presents two specific challenges for a Buy-Now-Pay-Later/POS integration.

First, each till must hold a secret to authenticate the transactions that originate from it. The system should be set up in such a way that the secrets can be easily managed by the merchant, in order to facilitate deployment and revocation, should they, for whatever reason, lose access to or wish to cancel the permissions of a particular device.

The second issue is the wide deployment of the software that integrates with the Buy-Now-Pay-Later system. This can be a burden on the IT resource within a retail organisation, given that POS solutions are generally spread over multiple retail locations. However, there are often tools available for fast and easy deployment and for monitoring and updating that most merchants already have in place to facilitate this process.

3 - Multiple devices

One of the key differences between performing a Buy-Now-Pay-Later transaction in-store as opposed to online is the fact that the customer information and the basket information often need to be entered on different devices. For security and privacy, the customer will want to enter their identity and/or payment information on their own device, usually a mobile phone, whereas the transaction is first entered into the POS when the cashier scans the goods. A key consideration is how these two key parts of a Buy-Now-Pay-Later transaction are coupled seamlessly and how the control of the transaction flow passes between the two devices.

We will first consider the transaction flow and control:

When the transaction has been created and the link established between the customer's device and the POS solution (the different methods for this are explored in more detail below), the POS will be locked in state waiting for the customer to complete the required steps on their own device. The challenge is how the POS can be alerted that the customer steps are complete. At first sight, the resolution to this challenge is often seen as straightforward: the POS can simply listen out for a response from the Buy-Now-Pay-Later API using a webhook or similar mechanism. Whilst this may work in certain specific merchant integrations, it does not generally work as it relies on the merchant's network to expose itself as a listener for incoming traffic, which is not possible in all merchant retail estates and which is certainly not desirable from a security perspective. Instead, constant polling of the payment request is necessary to confirm the status of the customer's input and a payment success or failure message will act as a signal to the POS to retake control and complete the transaction.

Consideration must also be given to the scenario that the customer may fail to complete the transaction: how does the POS unlock itself so that the transaction may be aborted or re-tried? The integration therefore needs the functionality to cancel the transaction. Whereas this may be theoretically simple from the point of view of the POS, if the POS has disconnected from the transaction and the customer is still performing their steps on their mobile device, the possibility remains that payment may still be taken without the POS being informed. This results in a mismatch between POS and payment and an unhappy customer. To pre-empt this issue, the Buy-Now-Pay-Later provider should facilitate cancellation of transactions, so that, as the POS disconnects, the Buy-Now-Pay-Later provider can be sure that no payment will be taken against the now cancelled payment request.

But how is the link between POS and the customer device established? This can depend on several factors such as:
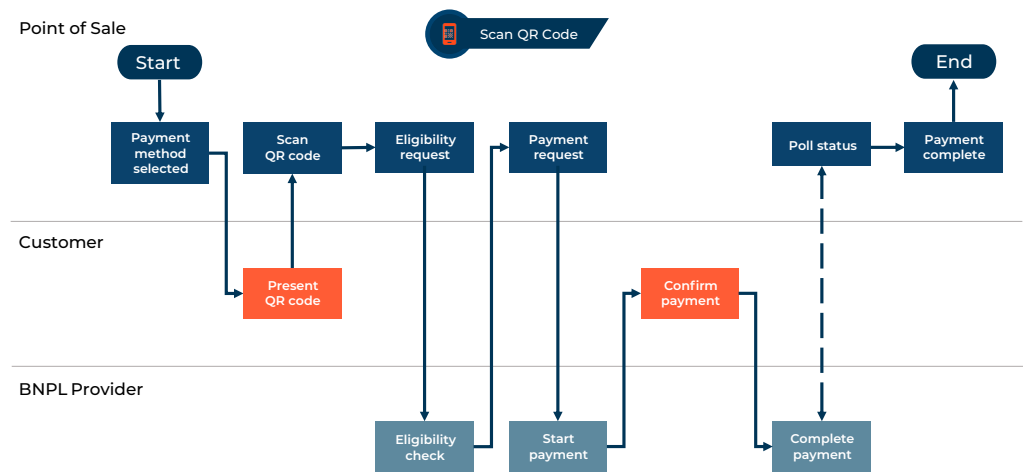
·   Whether the customer is already known to the Buy-Now-Pay-Later provider.
·   How a customer's details are captured.
·   How the Buy-Now-Pay-Later provider associates the customer to the credit agreement.

The transaction process and speed of completion will inevitably depend on these three factors.

Below are a series of diagrams detailing some of the most common integration scenarios that MWC Partners have worked on. It is also worth noting that an integration can include more than one of the methods illustrated below, as long as both the merchant's POS solution and their Buy-Now-Pay-Later partner can support them.

(i) Customer presents the Buy-Now-Pay-Later provider's QR code for the retailer to scan.
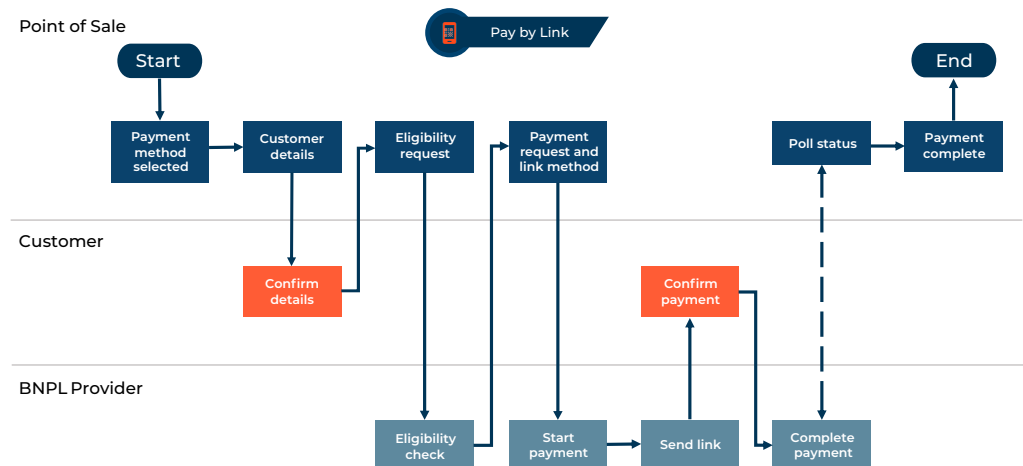
The most efficient and quickest Buy-Now-Pay-Later transactions occur when the customer is already known to the Buy-Now-Pay-Later provider. In this case, the customer already has a credit approved account on the Buy-Now-Pay-Later platform and can use their mobile App to generate a unique QR code. When the cashier initiates the transaction on the POS, they are prompted to scan a QR code. This unique data is then sent to the Buy-Now-Pay-Later provider allowing them to associate the customer to the transaction. Taking advantage of their mobile App, the Buy-Now-Pay-Later provider can notify and display the credit agreement directly to the customer.

Point of Sale

Scan QR Code

| Start | Payment method selected | Scan QR code | Eligibility request | Payment request | Poll status | Payment complete | End |

Customer

| Present QR code | Confirm payment |

BNPL Provider

| Eligibility check | Start payment | Complete payment |

(ii) Pay-by-Link

When a customer is not known to the Buy-Now-Pay-Later provider, an alternative means of providing the customer with the credit agreement must be considered. One of these options is for the POS solution to collect and send the customer's email address or SMS number to the Buy-Now-Pay-Later provider. The Buy-Now-Pay-Later provider is then able to generate a web-link to the credit agreement and distribute this directly to the customer's personal device. This is a good option for new customers, as no existing account with the Buy-Now-Pay-Later provider is required, although obviously it entails a longer check-out process as the customer will first be required to create an account and be granted credit approval.

From a technical standpoint, this option requires that the Buy-Now-Pay-Later provider has the means within their API to distribute the payment link to the customer.

Point of Sale

Pay by Link

| Start | Payment method selected | Customer details | Eligibility request | Payment request and link method | Poll status | Payment complete | End |

Customer

| Confirm details | Confirm payment |

BNPL Provider

| Eligibility check | Start payment | Send link | Complete payment |

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### (iii) Retailer displays Buy-Now-Pay-Later provider's QR code for the customer to scan

Similar to option 1, this method can be efficient if the customer is already known to the Buy-Now-Pay-Later provider. However, it is also possible to implement this method for new customers. This time, instead of the POS providing the Buy-Now-Pay-Later provider with the customer's unique QR code, the provider supplies the POS with a unique QR code representing an unassigned credit agreement that could open in either the Buy-Now-Pay-Later provider's App, or a webpage. The POS displays this QR code to the customer (perhaps on a customer facing screen, or by printing it out) and the customer can scan the QR code to open the Buy-Now-Pay-Later provider's App, thus associating themselves to the credit agreement, or open a webpage where they can sign-up (if required) and complete the credit agreement.

As this is a unique QR code, and is potentially being displayed publicly, care must be taken as to how it is presented to ensure any sensitive data is protected and to prevent other members of the public from scanning it and creating an incorrect customer association.
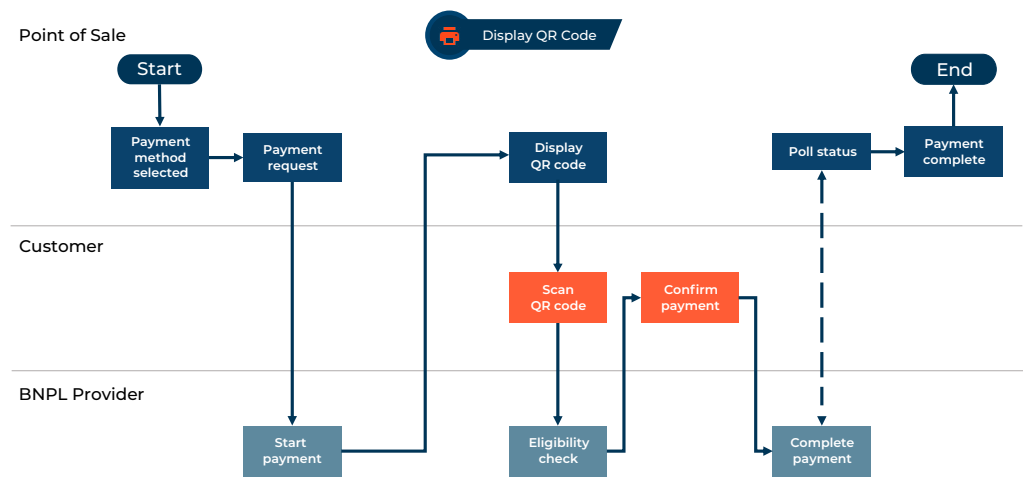
(iv) Complete a Buy-Now-Pay-Later credit agreement on an in-store device

The final alternative is to display the Buy-Now-Pay-Later credit agreement on an in-store device, such as a tablet or customer facing screen. If the POS is running on a mobile or tablet device, then this integration option allows for the cashier to start the transaction, and when required, to hand the device over to the customer. This approach comes with the additional advantage that the customer does not have to have their own personal device to complete the transaction, although, as a consequence, the merchant must be willing to allow customers to be in control of potentially expensive and critical in-store equipment.

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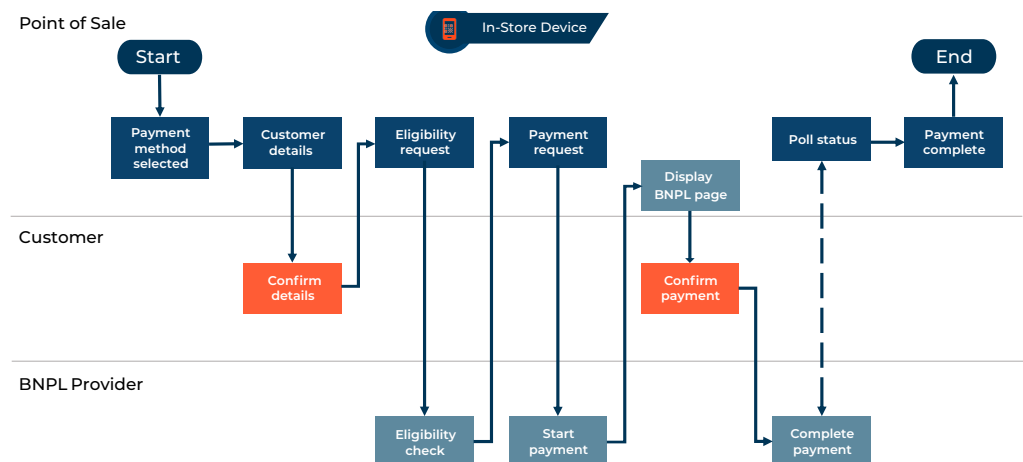
Conclusion

Bringing Buy-Now-Pay-Later payment services into the in-store environment presents a significant market opportunity for Buy-Now-Pay-Later providers and merchants wishing to both entice on-line shoppers back in store with a familiar experience and provide new innovative ways for existing in-store customers to improve their shopping experience.

Implementing these products does create a series of operational and technical challenges, as questions regarding the customer experience, the duration of transactions, system architecture and processes, must all be addressed.

MWC Partners are here to help merchants, Buy-Now-Pay-Later providers and POS solution providers who are interested in further exploring the latest innovations in retail technology.

MWC Partners' digital payments team are experts in the design and development of payment software integrations between payment service providers, Buy-Now-Pay-Later providers, digital gift card providers, digital wallet providers and POS solutions. We provide expert advice in shaping the architecture and processes which underpin successful integrations for the in-store retail environment.

To discuss a Buy-Now-Pay-Later to POS integration, email info@mwc-partners.com or call 01908 683830.