

How Flexible Payment Platforms Are Disrupting B2B Financing



There's a new type of business buyer taking over the small business equipment market.

Old-school financing doesn't cut it for next-gen business owners.

This generation of Millennial and Gen Z self-starters is more savvy, educated, and discerning than ever before. They prefer to do business online, and they want products and services that are customized to their needs. Millennials, and especially Generation Z, are more debt-averse than their older counterparts.

But most of the finance industry has lagged with this generation of entrepreneurs.



Bank loans come with mountains of paperwork, credit checks, and other barriers that make it difficult to get a business off the ground.



Traditional equipment financing often relies on underwriting, which takes time and is used primarily for credit applications seeking \$20,000 or more.



Credit cards can be costly, lack flexibility, and often aren't enough to fill the gap for most small business owners.

Finally, many Millennials or Gen Z business owners don't fit the narrow credit profile that most lenders want. They might have a limited credit history, poor credit, or under three years' time in business.

They also still see themselves as consumers and are used to having the options and flexibility they get in their everyday purchases.

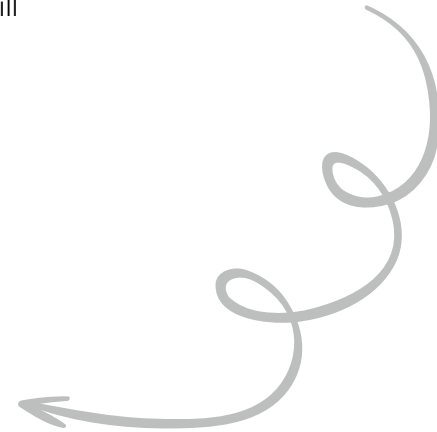
These small businesses need equipment to get off the ground so they can make the profit traditional lenders are looking for, but they need approval for financing to purchase that equipment.

All these factors leave these professional consumers—or prosumers—feeling stuck. And they've primed the industry for a new way of doing business.

Catch-22:

noun

1. a dilemma or difficult circumstance from which there is no escape because of mutually conflicting or dependent conditions.



Buy now, pay later options are poised to disrupt the lending industry.

These flexible financing plans give buyers the flexibility to set payment terms that fit their business, which in turn enables equipment sellers to get more equipment in the hands of the small businesses that need it. It's a win-win!

And for the debt-averse younger generations, this option provides an opportunity that isn't available with credit card purchases. It enables consumers to purchase a product and pay it off over time at a pace that they can sustain and afford.

For Millennials and Gen Z consumers who are nervous or anxious about credit card debt, the bi-weekly or monthly payments often better align with their budget and revenue schedules.

These fintech solutions get to the heart of the pain points surrounding financing. They're simple, offer on-the-spot decisions, and have fixed fees and costs as opposed to credit cards or other lending options. They're also transparent. It's easy to understand at the time of purchase exactly what you are paying for, how much you'll be expected to pay, and the terms of your agreement.

Monthly or recurring payments have become the norm for many Millennial purchasers who have grown accustomed to Netflix, Spotify, and other subscription services. Many consumers prefer the predictability and ease of budgeting for a fixed monthly cost for everything from media to fitness to electronics purchases.

Prosumers think like consumers. Whether they're buying Netflix or camera equipment; a car or a drill press, they expect the same flexibility and simplicity.

The same concepts that lure in consumer spending apply to younger entrepreneurs who may not qualify for traditional business lending options.



Benefits of BNPL:

1. Simple applications
2. On-the-spot decisions
3. Fixed fees—no compounding interest
4. Transparent
5. Easy to understand

Bringing BNPL to the B2B Market

Business-to-business

B2B businesses sell their products and services exclusively to other businesses. Ex: drill presses, party rental equipment, and pizza ovens.



Business-to-consumer

B2C businesses sell their products directly to an individual user. That equipment isn't used to run a business. Ex: pizza, iPhones, and shoes.



Prosumers

small business buyers and entrepreneurs that think like consumers when they make a buying decision.

The same disruption taking place in the B2C buying space is coming to B2B transactions. Payment solutions give mom-and-pop businesses the **equipment they need at a price they can afford and with an agreement they can understand.**

Research from Deloitte and our own experience from our clients shows a vast, unmet need in the small to medium business markets for better lending and payment options.ⁱ

Customers expect a frictionless application experience. All-day, arduous application processes will be replaced with on-the-spot decisions at the point of sale. Business owners get the equipment they need quickly. Sellers increase conversion rates on their website and in their showroom. Instead of bouncing off a website, abandoning a cart, or leaving the store, customers can investigate and apply for flexible payment arrangements at any point in the buying process.

Financing partners will use data more effectively and find new ways to determine risk and affordability. **They can cut or eliminate costs for underwriting and use algorithms to automate the approval process,** making it quick and simple for sellers and customers to get an answer about financing.



i. Deloitte, *Beyond Fintech: Disruptive Innovation in Lending*, 2017, <https://www2.deloitte.com/content/dam/Deloitte/global/Images/infographics/financial-services/gx-fsi-disruption-lending.pdf>

3 Traditional Financing Problems Solved by BNPL Solutions:

1

Credit Scores Don't Reflect Creditworthiness

For the past few decades, FICO scores have reigned supreme for creditworthiness. Credit cards, mortgage lenders, and other lenders use FICO scores to determine an applicant's risk. The actual calculation of these scores is opaque and frustrating to consumers who feel as though they have no control over their score and the factors that go into determining it.

In fact, while building or repairing a credit score is a pain point for many consumers, millions of consumers are considered credit invisible — meaning they don't have credit records at all.

As a solution, many new flexible payment options are foregoing credit scores altogether. They rely instead on algorithms and machine learning to understand buyers and their behavior more holistically. In contrast to FICO scores which undergo changes infrequently, these algorithms learn faster, approve more applicants, and speed up the process. And all of this happens at the point of sale, benefiting consumers and the businesses who sell to them.



Credit Invisible

According to data from the Consumer Finance Protection Bureau (CFPB), **26 million consumers in the United States were credit invisible, or close to 11% of the adult population. 19 million consumers (8.3% of**

the adult population) had credit records that were unscore-able. Credit records are considered unscore-able when a consumer has too few accounts or new accounts, or they have no recently reported activity.ⁱⁱ

26 million

U.S. adults are credit invisible.

ii. The CFPB Office of Research, Data Point: Credit Invisibles, 2015, https://files.consumerfinance.gov/f/201505_cfpb_data-point-credit-invisibles.pdf

2

Credit Scores Don't Reflect Creditworthiness

Consider this traditional equipment financing scenario:

An entrepreneur goes to a bank prepared with a business plan and meets with a banker who determines if the bank will fund the entrepreneur's dream of owning a business.

In these cases, the onus is on the business owner who must provide stacks of paperwork to show cash flow, profitability, and creditworthiness before getting a loan for equipment.

For those that can't provide the necessary paperwork, they are either sent on a hunt for documents or denied outright.

However, this type of business lending also comes with more restrictions. Many banks and traditional lenders won't do underwriting for amounts below \$20,000, which prices out many smaller businesses looking for a leg up. These prosumers are left to seek other options that come with higher fees, confusing terms, and inflexible payments.

[This creates lending deserts where the only available alternatives are bad ones.](#)



3

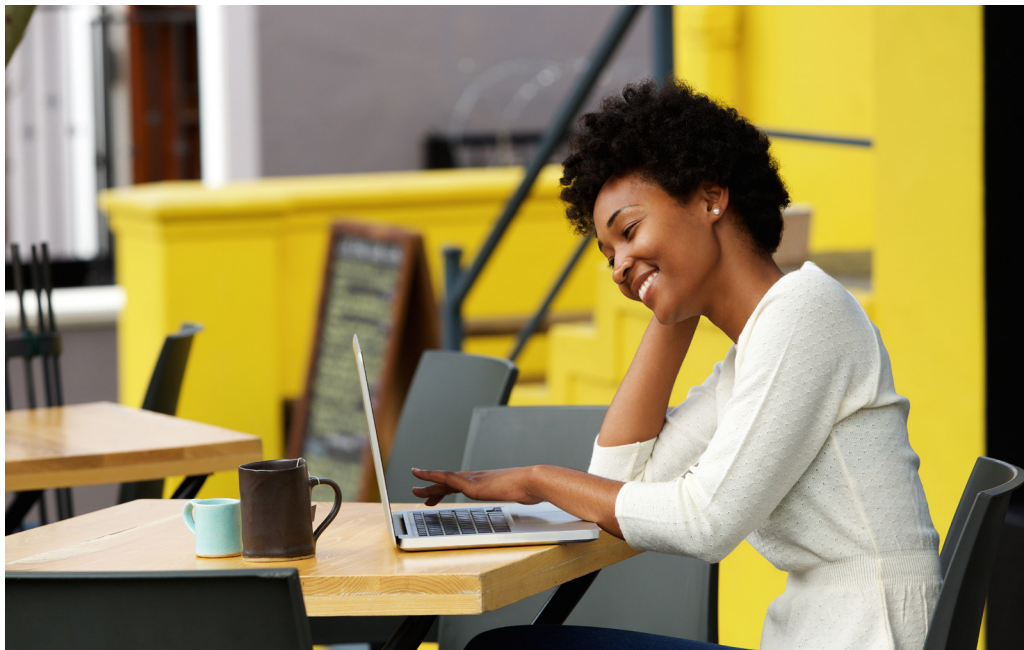
Traditional Financing Perpetuates Inequality

Minority-owned businesses are three times more likely to have a loan application rejected, and those that do receive loans are typically approved for smaller amounts at higher rates. As a result, these businesses start out with less capital than non-minority-owned businesses.ⁱⁱⁱ

Women business owners represent **30% of small businesses** but receive just **16% of small business loans**, and their total loan amount accounts for **4.4% of the total value** of these loans.

This disparity leaves many of these minority-owned businesses discouraged and unwilling to even apply for credit. **African American and Hispanic business owners are 37% and 23% less likely** to apply for financing than their White counterparts.

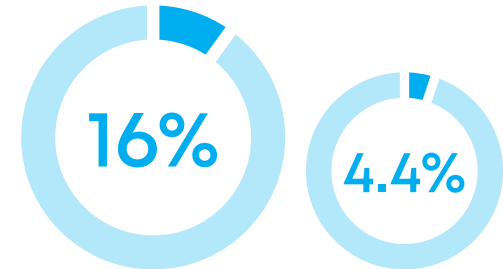
For minority business owners that might traditionally be left out, the BNPL disruption can't come soon enough.



iii. *The Hamilton Project, Minority and Women Entrepreneurs: Building Capital, Networks, and Skills*, 2015, https://www.brookings.edu/wp-content/uploads/2016/06/policy_brief_minority_women_entrepreneurs_building_skills_barr.pdf

30%

of small businesses
are owned by women



Women business owners represent
receive just **16% of small business loans**, and their total loan amount
accounts for **4.4% of the total value**
of these loans.

African American
business owners are

37%

less likely to apply
for financing.

Hispanic business
owners are

23%

less likely to apply
for financing.

Join the Buy Now Pay Later Revolution with Clicklease

BNPL solutions are quickly becoming a staple in many brands' shopping experiences—56% of Americans say they've used one in the past year.^{iv}

Companies with a buy now pay later solution find that customers purchase more products, abandon their carts less, and enjoy the convenience of a lending solution at the time of purchase. These purchasing attitudes also apply to prosumers who want and expect the same flexibility in their business transactions as in their B2C transactions.

Clicklease enables vendors to reach the untapped and underserved markets left behind by traditional lenders. By foregoing traditional FICO scores, Clicklease's proprietary algorithm can approve applicants other lenders won't. And instead of taking days or weeks to get a traditional loan, applicants get an instant decision on their application without all the extra paperwork.

We offer a no-fee, installment-based payment platform that helps vendors and business owners grow and succeed. Vendors who use Clicklease turn conversations about discounts and pricing into discussions about affordable solutions by enabling small business customers to access payment terms that work for them.

Millennial and Gen Z consumers' attitudes and preferences are quickly changing the landscape for payments in B2C and B2B markets. Sellers that can meet the demand will seize an opportunity to dramatically grow their revenue and help fuel the next generation of entrepreneurs.

When customers are ready to buy, we're ready to finance.



iv. Maurie Backman, Study: Buy Now, Pay Later Services Continue Explosive Growth, 2021, <https://www.fool.com/the-ascent/research/buy-now-pay-later-statistics/>

Want to learn more?

Schedule a demo today.

www.clicklease.com

