

## GROUP ASSESSMENT ITEM COVER SHEET

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**Course Code**

INFT2150

**Course Title**

Business Analysis

(Example)

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(Example)

Intro to University

Campus of Study: Callaghan (eg Callaghan, Ourimbah, Port Macquarie)Assessment Item Title: Assessment 1: Case Study Due Date/Time: 23:59 – 11/09/2022Tutorial Group (If applicable): Wednesday 3-5pm Word Count (If applicable): Lecturer/Tutor Name: Marni BesleyExtension Granted: ☐ Yes ☒ No Granted Until: 

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## **1. Executive Summary**

AfterPay is a business that provides a Buy Now Pay Later service to customers on both sides of the spectrum. For example, customers may include consumers, who are individuals or other businesses that purchase goods or services from registered merchants. Merchants are individuals or other businesses that sell goods or services to consumers. The purpose of this report is to conduct a business analysis of AfterPay as a Buy Now Pay Later Service in accordance with the Business Analysis Process Model. It is important to note that this section was written in close conjunction with the Week 2 lecture material (Adam, 2022).

### **1.1. Investigate Situation Stage**

The investigate situation stage in the Business Analysis model is to study background material with the aim of uncovering issues and concerns within the current system. This report achieves this using the following System Modelling techniques Rich Picture, Use Case Diagram and Data Flow Diagram.

The Rich Picture was created using news articles and the AfterPay website itself. This is because in this reports inception there was no way to directly interview or survey individuals currently using, providing, or working as part of AfterPay. Despite these limitations the rich picture enabled an understanding various areas of the system including who AfterPay considers as Customers, current issues that consumers are facing that are negatively impacting the Buy Now Pay Later service. Along with an identification of some upcoming factors that will impact the operation of the AfterPay business operations.

The Use Case Diagram was effective in understanding what is involved in the systems operations and the actions of the actors that interact with the system. These actors include merchants, consumers, and Bank Tellers. It is important to note that there are limitations in the models as these actors were not able to be directly investigated with most information required being obtained from the public AfterPay website.

The Context Level Data Flow diagram was effective in demonstrating the AfterPay operations in terms of the data flowing into the system and being produced from the system as output to achieve the functions identified in the Use Case Diagram. This is demonstrated as the Data Flow Diagram directly reflects the Use Case Diagram in terms of the Administration, Purchase and Repayment and Repayment Plan Change Procedures.

## **1.2. Consider Perspectives Stage**

The Consider Perspectives stage in the Business Analysis Model aims to identify and analyse the stakeholders of the system, individuals or businesses that are affected by the system and have interest in the success. The report achieves this using a stakeholder analysis. The key stakeholders analysed here included managers, consumers, regulators, competitors, partners and Merchants, employees, and owners. A management plan was also created to outline how interactions and communication with these stakeholders should be managed.

## **1.3. Analyse Needs Stage**

The Analyse Needs stage of the Business analysis model aims to identify areas in the system where improvements could be implemented to improve the system. This report investigates this using a SWOT analysis and provides a description of the problems identified in the system.

The SWOT analysis identified a large number of strengths and threats, with a smaller number but significant weaknesses and opportunities. Being an innovator in the BNPL industry, and having such a well-known brand, has placed Afterpay Ltd. in a strong position to set the standard for the rest of the industry. Main threats include the impending regulations to the industry and the entry of larger companies, with more diverse revenue streams, into the market. Afterpay will need to utilise their key opportunity, the acquisition by Block Inc., in order to secure the company against upcoming threats.

The key problems identified were the consumers reduced ability to spend as the cost-of-living rises, the entry of new competitors into the BNPL marketplace, and the upcoming regulations to be imposed on the industry. Afterpay will need to be prepared for the changing market landscape by offering flexible payment plans to ensure loans are recouped, utilise their position as an innovator of the market to outshine the newer entrants of the industry, and put in place a plan to comply with upcoming regulations so the company can be compliant within the earliest time possible and avoid hefty fines.

## **1.4. Evaluate Options and Define Requirements Stages**

The Evaluate Options stage of the Business Analysis model aims to identify several options for a business, such as AfterPay and evaluate the options based on the feasibility and acceptability of the option presented. Meanwhile the Define Requirements stage presents a description of the suggested requirements or following steps the business should take. This report achieves both stages through providing an outline of the Next Steps or recommendations of the business analysts conducting this investigation into AfterPay.

Next Steps suggested to the Stakeholders to overcome the weakness and to take advantage of the opportunities in the market to keep Afterpay the biggest BNPL service available. AfterPay needs to work on the new BNPL regulations to avoid The National Credit Code Act that can be impose on BNPL industry. To maintain being the largest BNPL provider AfterPay should get new merchants while maintaining good relationship with current merchants. AfterPay should keep

insight of BNPL market and should be innovative with their ideas. One of the necessary steps AfterPay should do is with their payment plan, They need to be flexible with their payment plan and should avoid charging people with late fees at every late payment.

## **2. Objectives**

The aim of this report, as briefly explained in the Executive Summary, is to conduct a Business analysis of AfterPay through systematically adhering to the Business Analysis Model. The overall purpose being to provide a summary of the next steps AfterPay should take. This is through recording and discussing the various deliverables at each stage of the Business Analysis Model. The first deliverable being System Modelling which aims to investigate the situation, and a stakeholder analysis that aims to consider the perspectives of the AfterPay system. These are followed by a SWOT analysis which aims to identify the current systems Strengths, Weaknesses, Opportunities and Threats. This along with the following outline of a problem identification and description aims to analyze the needs of the system. The report will then be concluded through a summary of the Next Steps AfterPay should consider as a result of the analysis put forward in this report. The aim here being to evaluate and define the requirements.

### 3. Systems Modelling

This section of the report consists of the system models, Rich Picture, Use Case Diagram and Context-Level Data Flow Diagram, that achieve the objective of understanding the scope of AfterPay's current Buy Now Pay Later (BNPL) model. Along with various external factors that affect or will affect their future practices. It is important to note that this section was written in close conjunction with the Week 2 and 3 lecture material (Adam, 2022).

### 3.1. Rich Picture

A rich picture is used to create a mental model of a current system by attempting to illustrate how it operates and how it is impacted by or impacts external systems or individuals. Along with any current concerns that may impact the future operations of a system.

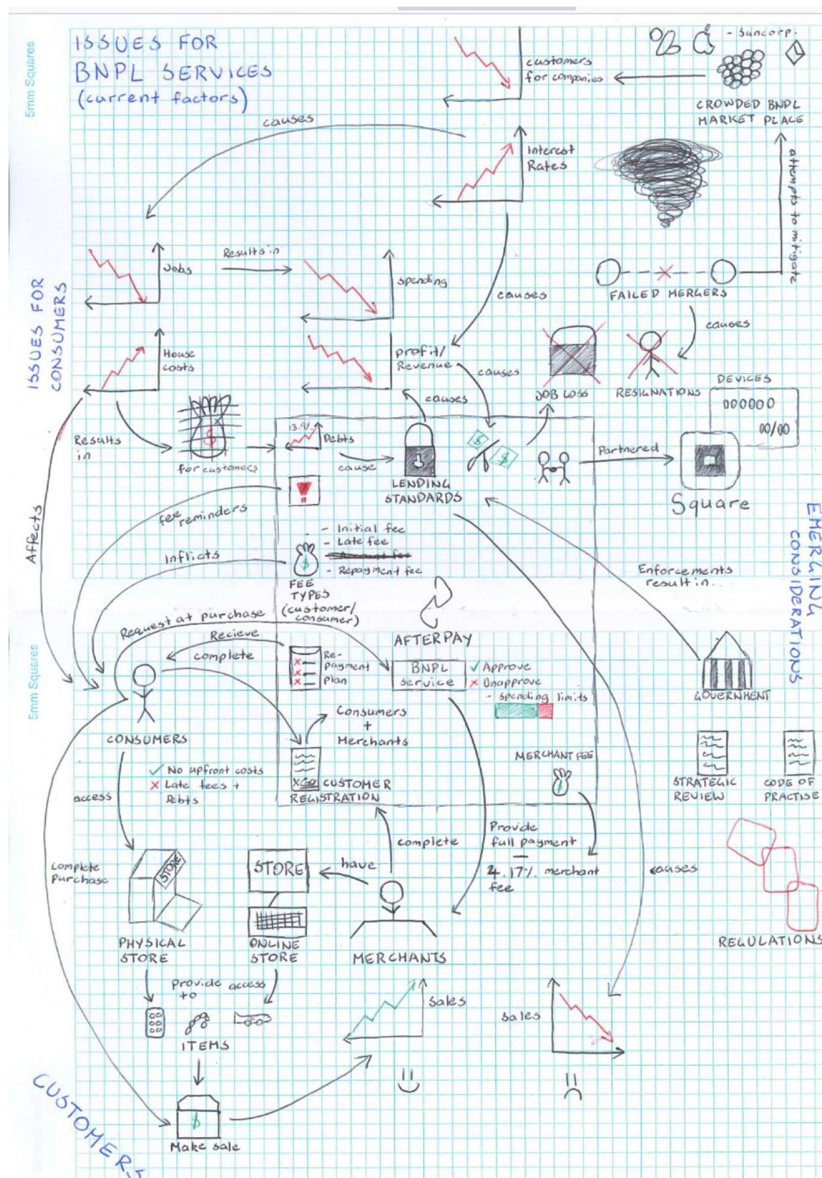


Figure 1: Afterpay Rich Picture

### **3.1.1. Discussion Customers**

The Rich Picture above was drawn during the initial investigation into AfterPay to gain an understanding of AfterPay's current system. Going round from the bottom left-hand side of the visual it was recognised that AfterPay's business model focuses within the scope of providing a Buy Now Pay Later (BNPL) service. This involves having customers that are either merchants, individuals or organizations selling goods, or consumers, individuals or organizations purchasing goods. Both customer types must register themselves as customers to the system prior to using it (Afterpay, 2022). It is recognized that consumers registered with AfterPay often purchase more from merchants than those who don't as they don't have to pay the total cost up front but receive a repayment plan to pay the sum over time (Whitson, 2022). Increasing merchants' sales as a result.

#### **Current issues for Consumers and BNPL services**

However, it is recognized in the top half of the visual that there are increasing factors that are having and continue to have a negative impact on AfterPay's business model. For example, the cost of living is continuing to increase while unemployment is also increasing. This results in consumers not only spending less but also becoming unable to meet repayment deadlines (McGhee, 2022). Although AfterPay attempts to mitigate the negative impact on the business through inflicting initial and late fees on consumers and providing reminders. It is recognized that 13.9% of AfterPay's customers have debts (Whitson, 2022). This causes a loss of revenue for AfterPay as the business provides full payments to merchants immediately on the consumers' behalf with the expectation that consumers will meet the provided repayment plan (Afterpay, 2022).

Loss in revenue has also increased for AfterPay as the BNPL Industries marketplace has become crowded with companies such as Suncorp, Commonwealth Bank and Apple joining the original BNPL providers in providing a BNPL service (Whitson, 2022). There have been attempts for these companies to reduce the marketplace size through merging (Whitson, 2022). However, most have failed which along with AfterPay needing to cut costs have resulted in mass job loss and resignations as the industry becomes increasingly unstable.

#### **Emerging Considerations**

Some emerging or future factors that AfterPay will need to consider include their merging with Square, this is a company that provides contactless EFTPOS machines to merchants so they can easily allow their consumers with the ability to securely make payments with their credit card on the go (Whitson, 2022). This merger provides the opportunity for AfterPay to increase their reach to more merchants through providing all merchants using Square to provide their BNPL service, that they wouldn't usually have had access to, such as weekend sport canteens. However, government regulations and Acts to attempt to regulate the BNPL industry, that Afterpay has attempted to combat (Eisen & Hancock, 2019), to reduce consumer debt in a similar way to the credit industry (Knight, 2022). Will also most likely cause AfterPay to tighten their lending regulations which may negatively impact revenue. While it may also be an

opportunity into the future as consumer debts will decrease. However, the tightening of lending standards and consumer spending will result in reduced sales for merchants and possibly a reduced participation of merchants in the BNPL service (Knight, 2022).

### 3.2. Use case diagram

A Use Case Diagram is a UML Diagram that demonstrates what the system does without going into the details of how it achieves this functionality. The Use Case diagrams below demonstrate the key use cases of AfterPay as a Buy Now Pay Later system as determined by their website (Afterpay, 2022). It was identified that the key actors of the system are the 2 customer types, Merchants, and Consumers) previously identified in the Rich Picture. Along with a Bank Teller. For ease of viewing the system has been broken down into 3 main subsystems. These include:

- **Administration Procedures** including customers' access to the system and output frequently accessed by Merchants to review sales made with AfterPay.
- **Purchase and Repayment Procedures** which mainly focuses on the use cases involved when a Consumer purchases an item from a registered merchant with AfterPay. Along with the processing of repayments and late payments.
- **Repayment Plan Change Procedures** involves the use cases when a consumer requests a change in the repayment plan. For example, they return an item to the merchant or request a change in the repayment plan due to financial issues, such as a change in pay day by an employer.

Please note that some actors such as a Debt Collector or Credit Reporting Bureau were discussed as some BNPL businesses will report Consumer Debts if they fail to meet repayments or do a background check into their previous debts. However, AfterPay has specifically stated at AfterPay, “we never do credit checks or report late payments” (Smyth, 2022). As a result these actors are not necessary here.



### 3.2.1. Administration Procedures

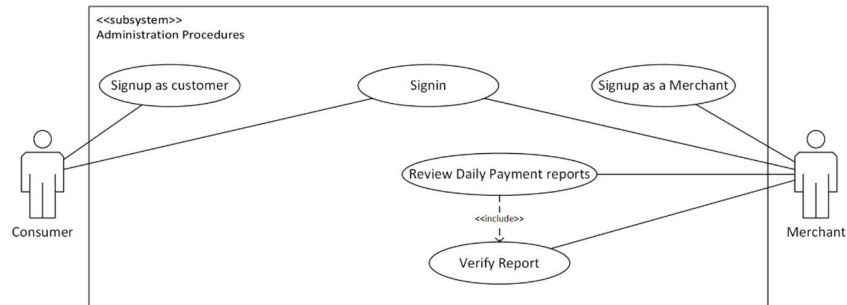


Figure 2: Use Case Diagram - Administration Procedures

### 3.2.2. Purchase and Repayment Procedures

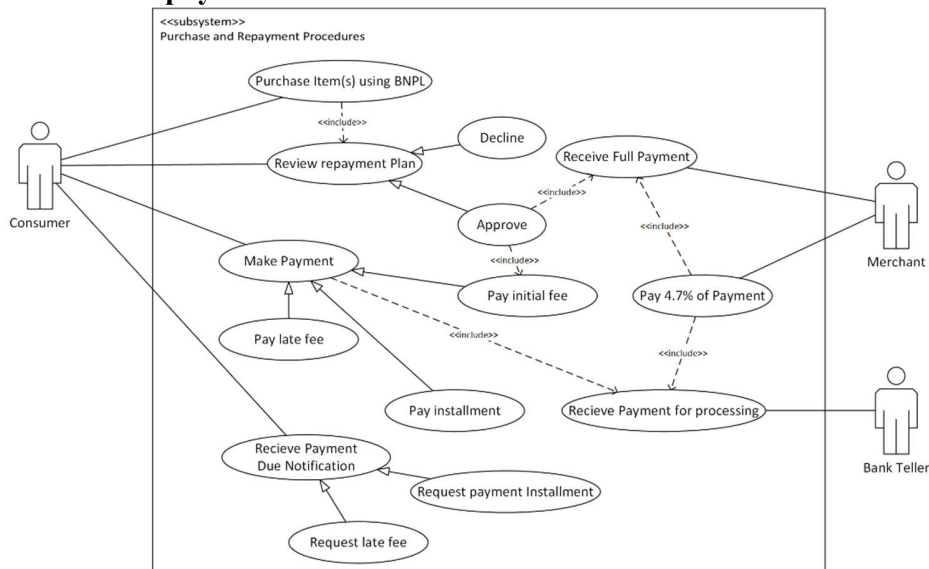


Figure 3: Use Case Diagram - Purchase and Repayment Procedures

### 3.2.3. Repayment Plan Change Procedures

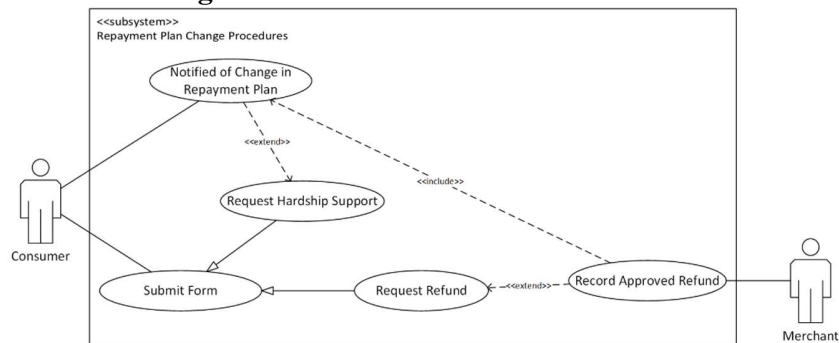


Figure 4: Use Case Diagram - Repayment Plan Change Procedures

### 3.2.4. Discussion

Overall, the above use case diagrams were instrumental in gaining an understanding of the operations of AfterPay as a Buy Now Pay Later system in terms of what functions it achieves. Through this it was identified that the main function of the system was to provide a purchase and repayment service. This requires use cases such as Consumers making payments and receiving payment notifications and Merchants being able to both receive and make payments. However, the system also requires use cases concerning general use cases such as registration of customers and the providence of reports to merchants. It was also identified that AfterPay also provides ways for consumers to alter their repayment plans and gain refunds.

### 3.3. Context-level data flow diagram

Data Flow diagrams are used to demonstrate the organization of systems in terms of the flow of data as both input and output between the system processes and the external entities. Context-level data flow diagrams are used to merely represent the system as a single process without demonstrating what exactly the system processes are within the system but rather just the data input and output to entities.

The following diagrams continue the same structure as the use case diagrams to make the diagram easier to understand through breaking down the input and output into the previously identified subsystems. As a result, please note that the process and entities are the same between diagrams.

#### 3.3.1. Administration Procedures

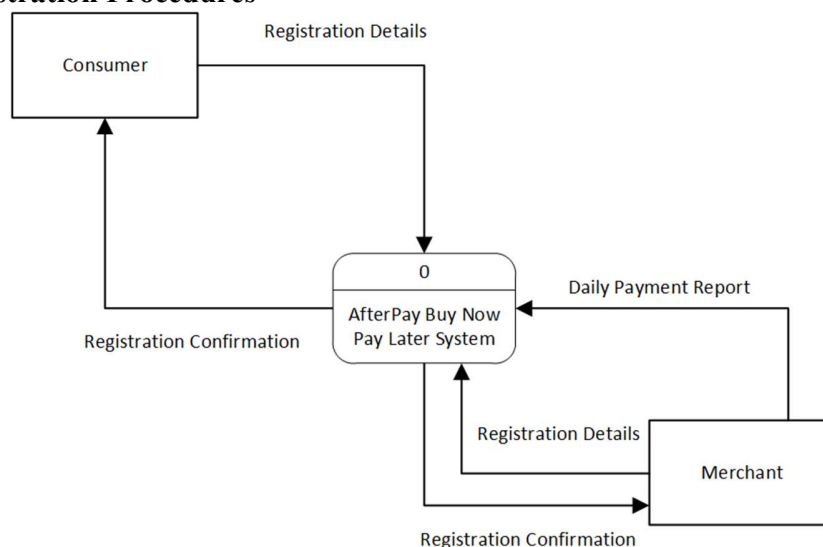


Figure 5: Data Flow Diagram - Administration Procedures

### 3.3.2. Purchase and Repayment Procedures

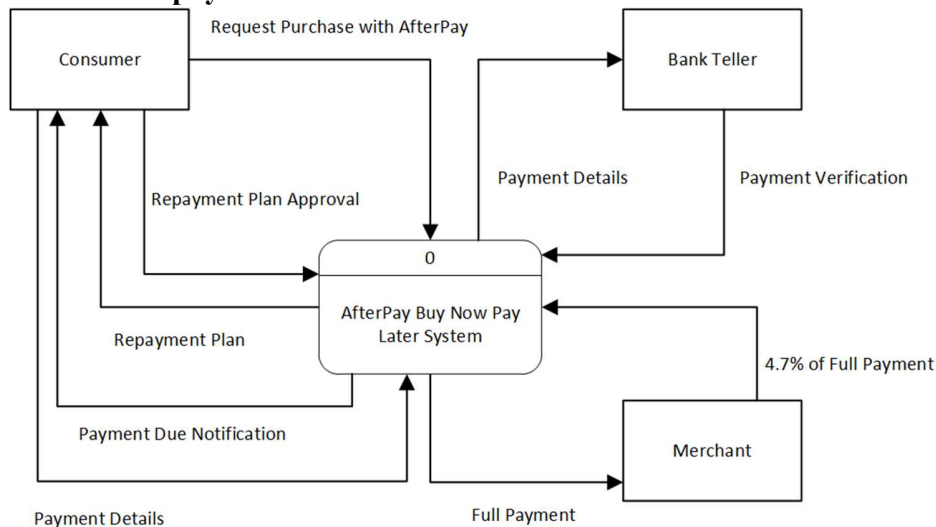


Figure 6: Data Flow Diagram - Purchase and Repayment Procedures

### 3.3.3. Repayment Plan Change Procedures

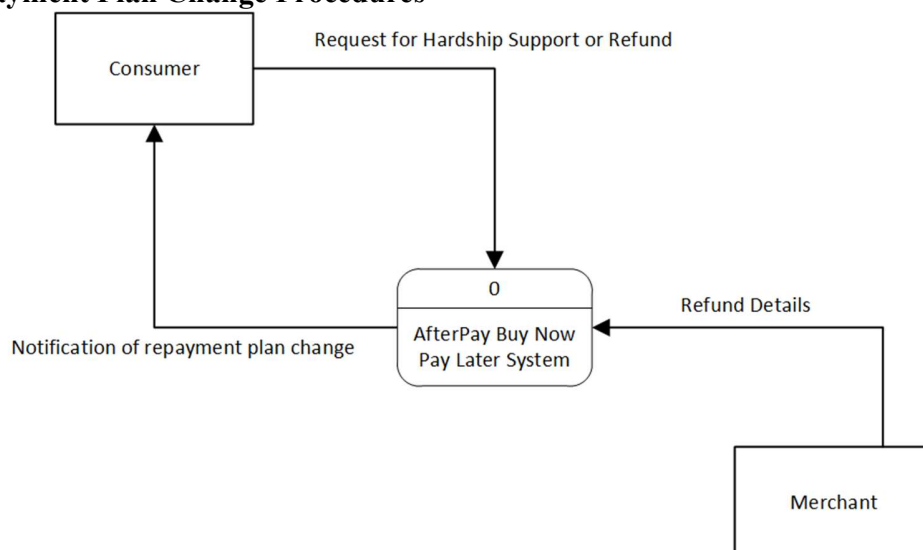


Figure 7: Data Flow Diagram - Repayment Plan Change Procedures

### 3.3.4. Discussion

Overall, the above context level data flow diagrams were instrumental in gaining an understanding of the data that is input and output from and for the processes carried out by AfterPay as a Buy Now Pay Later system. The diagrams mirrored the subsystem structure of the use case diagrams to demonstrate the required input from entities in the Administration, Purchase and repayment and Repayment Plan Change procedures. Whilst also identifying what data the system provides to the various entities as a result of its processes.

## 4. Stakeholder Analysis

This section of the report aims to identify and analyze the stakeholders of Afterpay in terms of their attitudes and influence. Followed by an assessment of the weight of the stakeholder's authority (power and influence) and interest and how each stakeholder can be managed throughout the project. It is important to note that this section was written in close conjunction with the Week 5 lecture material (Adam, 2022).

### 4.1. Main Stakeholders Overview

This section of the report provides a summary of the main stakeholders of Afterpay. These are individuals or organisations that are positively or negatively impacted by the success or failure of Afterpay. These summaries are also accompanied by an analysis of each stakeholder's attitudes, Influence and Authority.

#### 4.1.1. Managers

Managers include Afterpays CEO's, CFO, CMO (Chief Marketing Officer), CSO (Chief Strategic Officer), as well as their board of directors. The managers are clearly the stakeholders with the most influence as they have many of the final decisions on how the company will operate going forward. With instructions and strategies that will trickle down to the entry-level employees.

#### Attitudes

Managers will have a deep interest in the goals, objectives and solutions as these individuals will be directly impacted by the result of decisions made within Afterpay. These individuals will also have a positive attitude in business analysis in terms of providing their requirements due to the current issues Afterpay is facing, such as an overcrowded marketplace, and will probably have their own ideas of solutions. They have also been shown to have positive views on collaboration as they recently merged with Square. They will also have relationships with team members of Afterpay that can provide further depths of insight.

#### Influence and Authority

As their primary focus is the management and success of Afterpay as an organization. Managers will have a **High level** of influence on the project, organization and will also be instrumental in bringing other stakeholders onboard with the project. Also, as the driving force in the decisions made within Afterpay as an organization. Managers will have a **High level** of authority to approve or disapprove deliverables, requirements, and changes to the project.

#### 4.1.2. Consumers

Consumers are customers that use Afterpay to complete purchases. Afterpay is currently used by over 16 million people worldwide (Statista, 2021). Their influence over Afterpay is clear as elevated levels of customer interaction and people constantly using their product for online shopping is what drives the business and what keeps the money coming in. The actions of the customers are also extremely important as they make around 10% of their earnings from the late fees on repayments. However, if they continue to be unable to meet payments and their debts rise. Afterpay will continue to lose revenue as it provides full payments to merchants/ partners whether consumers meet repayments.

##### Attitudes

Consumers will have little interest in the goals and objectives of the project. However, they will have interest in the solution if it makes changes to the operation of the system in terms of how they interact with it. These individuals will most likely not have a positive attitude in business. However, it is noted through the articles analyzed in the System Modelling process that they are willing to collaborate and provide insight into their experience of Afterpay on a case-by-case basis. They will also have relationships with other consumers so they can provide further depths of insight into other individuals' experiences and why, or why not, they may promote the use of the BNPL service.

##### Influence and Authority

As Consumers are instrumental in the success of the system, if they do not accept the system Afterpay will not succeed as an organization. Consumers have a **High level** of influence on the project. However, Consumers do not have any influence in the decision-making process of Afterpay. Consumers will have a **Low level** of authority to approve or disapprove deliverables, requirements, and changes to the project.

#### 4.1.3. Regulators

Since Afterpay does not charge any extra fees on the purchase of the product they do not need to adhere to the National Consumer Credit Protection Act 2009 regarding credit legislation. However, from mid 2023 the labor government has stated that the Buy Now Pay Later companies such as Afterpay will be regulated as credit products (Read, 2022), albeit with different rules than what the existing credit card companies have.

##### Attitudes

Regulators will have little interest in any aspect of the project as long as Afterpays operations adheres to their laws and regulations that will be put forward for BNPL services.

##### Influence and Authority

Regulators can apply and tighten laws and regulations to BNPL services. Whilst also applying penalties when these are not adhered to. Regulators have a **High level** of influence and authority.

#### 4.1.4. Competitors

Zip, Klarna, Sezzle. They are the main competitors for Afterpay, with Sezzle being predominately used in America. Whilst Zip is the main competitor in Australia. As they had a 23.6% market share reported by IBISWorld in 2021 compared to Afterpay's 43.8% (Sanglap, 2022). The influence of these competitors is not significant, especially with Afterpay being the majority shareholder in their market and therefore being able to have some control over the direction of the Buy Now Pay Later industry. However, the interest that these competitors would have in the actions of Afterpay is high as no company would want to get left behind in terms of the service that they deliver.

##### Attitudes

Competitors will have little interest in any aspect of the project as long as Afterpay's operations do not intrude on their own operations or success in a manner that can be legally proven as unfair or illegal.

##### Influence and Authority

Competitors have the ability to change their operations in a way that may remove the interest of consumers and partners away from Afterpay. Their influence on the project is of a **High Level**. However, their authority in the actual decision-making process is of a **Medium Level** as they may be more likely to report Afterpay if they believe it is acting unjustly. The stakeholder does not have any authority within Afterpay as an organization.

#### 4.1.5. Partners and Merchants

As of January 2022, Afterpay announced new partnerships with the retailers of Nordstrom, Tommy Hilfiger, and Calvin Klein. Who joins thousands of other existing partnerships that Afterpay has. The importance of Afterpay appeasing its partners is high as that is how they make most of their revenue (approximately 90%) since they charge a usage fee of around 4% to merchants for any transactions that go through their service (Sheth, 2022). However, due to the sheer number of retailers, (afterpay is now partnered with over 63,000 retailers across Australia and New Zealand) the power of individual retailers has diminished and would require a significant shift for afterpay to be concerned.

##### Attitudes

Partners and Merchants will have some interest in the goals and objectives of the project. This is because they will have interest in the solution if it makes changes to the operation of the Afterpay system in terms of how they and consumers interact with it. This stakeholder will also likely have a positive attitude in the business analysis if they believe it will benefit them as providers of Afterpay. It is also noted through the articles analyzed in the System Modelling process that they are willing to collaborate and provide insight into their experience and ideas for improving Afterpay for their own business benefit. They will also have relationships with consumers and other partners, or merchants so can provide further depths of insight into other

individuals experiences and why or why not they may promote the providence of the BNPL service to other organizations.

### **Influence and Authority**

As Partners and Merchants are instrumental in the success of the system, if they do not accept the system Afterpay will not succeed as an organization as the service cannot be provided to consumers as a result. Partners and Merchants have a **High level** of influence on the project. However, as they have no ability into the decision-making process of Afterpay but more authority than Consumers to provide insight and advocate for change. Partners and Merchants will have a **Medium level** of authority.

#### **4.1.6. Employees**

Over 1,300 (Afterpay, 2022). The influence of the employees is clear as they are the ones performing the daily tasks that keep the company operational. Whether it be customer service staff who will largely be the main point of contact for many of the customers. Or the maintenance staff that ensure that the service is always operational or operates with minimal downtime.

### **Attitudes**

Employees will have somewhat of an interest in the goals, objectives and solutions as these individuals will be directly impacted by the result of decisions made within Afterpay. These individuals will also have a somewhat positive attitude in the internal business analysis. They may have indifferent views on collaboration as part of their job as long as it is within business hours. They will also have relationships with other team members and even customers of Afterpay that can provide further depths of insight.

### **Influence and Authority**

Based on their employment level employees will have varying levels of Influence and Authority. For example, support staff will have a large level of influence in the success as they have direct contact with customers. However, maintenance staff may have a higher level of authority in approving decisions in terms of changes to the technology used in business operations. As a result, Employees have a **Medium Level** of influence and authority.

#### **4.1.7. Owners**

It was announced earlier this year, Block.Inc acquired ownership of Afterpay (Block,Inc. 2022). Afterpay is also a public company listed on the stock market so as well as the major shareholders of the company there is also the more diverse public that the company must satisfy to maintain the value of the company.

### Attitudes

Owners will have somewhat of an interest in the goals, objectives and solutions as this stakeholder will be impacted by the result of decisions made within Afterpay but will most likely have to manage various other organizations. The result of new ownership will also cause the stakeholder to have a positive attitude in business analysis in terms of providing their own insight into new requirements. They will also probably have a positive view in collaboration as long as it is done sparingly.

### Influence and Authority

Owners will have a **High Level** of influence and authority on the project as Managers decisions will be heavily affected and even have their decisions overridden by this stakeholder.

## 4.2. Stakeholder Analysis Matrix

The following table provides a matrix of the previously presented stakeholder analysis:

*Table 1: Stakeholder Analysis Matrix*

| Interest | Power/Influence |            |                    |                    |
|----------|-----------------|------------|--------------------|--------------------|
|          | High            | Regulators |                    | Managers           |
|          | Medium          | Consumers  | Employees/Partners | Competitors/Owners |
|          | Low             |            |                    |                    |
|          |                 | Low        | Medium             | High               |

## 4.3. Stakeholder Management Strategies

The following table provides insight into the management of each stakeholder. Please note that the role, current level of power/ influence and interest along with issues are not included as these factors were discussed in section 4.2.

*Table 2: Stakeholder Management Strategies Table*

| Stakeholder | Current Attitude<br>→<br>Desired Role | Desired Support                                | Desired Actions                             | Messages to Convey         | Actions and Communication   |
|-------------|---------------------------------------|--|---|----------------------------|---|
| Manager     | Champion<br>→<br>Champion             | Insight, requirements, Acceptance, and support | Interview, Approval, Evaluate and Workshops | Constant Active Management | Will be actively communicated with for insight, approval at each stage and comradery to get |



|                               |                      |  |  |             |   |
|-------------------------------|----------------------|--|--|-------------|---|
|                               |                      |  |  |             | other stakeholders onboard.   |
| <b>Consumers</b>              | Neutral → Supporter  | Insight and Acceptance                         | Interview and Questionnaire            | Keep Onside | Will be directly communicated with sparingly on a brief basis. Insight should be gained at the start, middle and end of the process as their acceptance is vital. |
| <b>Regulators</b>             | Blocker → Neutral    | Acceptance                                     | Regulation Updates                     | Watch       | Will not be directly communicated with. However, will be monitored for changes that affect BNPL services.   |
| <b>Competitors</b>            | Opponent → Opponent  | Acceptance                                     | Lack of Interference                   | Keep Onside | Will not be directly communicated with. However, it will be monitored.  |
| <b>Partners and Merchants</b> | Neutral → Supporter  | Insight and Acceptance                         | Interview and Questionnaire            | Keep Onside | Will be directly communicated with sparingly on a brief basis. Insight should be gained at the start, middle and end of the process as their acceptance is vital. |
| <b>Employees</b>              | Critic → Champion    | Insight, requirements, and acceptance          | Interview, Questionnaire and Workshops | Keep Onside | Will be directly communicated with sparingly to gain insight and support for implementation, maintenance, and advocating support from customers                   |
| <b>Owners</b>                 | Supporter → Champion | Insight, requirements, support, and acceptance | Interview, Evaluate and Approval       | Keep Onside | Will be actively communicated with the projects progress sparingly, for insight and approval at each stage and comradery to get other stakeholders onboard.       |

## 5. SWOT Analysis

This section of the report aims to identify the Strengths, Weaknesses, Opportunities and Threats associated with Afterpay. It is important to note that this section was written in close conjunction with the Week 4 lecture material (Adam, 2022).

### 5.1. Strengths

Strengths refer to the attributes of Afterpay that make it competitive and a more enticing BNPL option than competitors such as Zip. These strengths are outlined here along with the following ranking table. This ranks the priority based on a Valuable, Rare, Inimitable and Organizationally feasible (VRIO) scale that determines the strengths priority on a scale of 1-5. 1 being of high priority to maintain, promote and fund Afterpay's success and 5 being the least important.

*Table 3: VRIO Ranking Table*

| Strength                     | V                                   | R                                   | I                                   | O                                   | Priority |
|------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|----------|
| Innovator                    | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | 2        |
| Global Presence              | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 3        |
| Large Current Market Share   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | 1        |
| Strong Customer Satisfaction | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 2        |
| Good Employee Satisfaction   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 4        |

#### 5.1.1. Innovator

Afterpay was a first mover in the Buy Now, Pay Later industry and established itself quickly as a presence in the market. Although this is a rare, inimitable, and organisationally feasible fact to promote, it is not necessarily feasible if the service is not currently performing well.

#### 5.1.2. Global Presence

The Afterpay brand is well known throughout many countries across the world (US, Canada, UK, Australia). Although this is valuable and organisationally feasible to uphold as BNPL is a crowded marketplace so the larger the reach the better. It is not necessarily rare as other organisations such as zip have this stretch.

#### 5.1.3. Large Current Market Share

As of June 2021, Afterpay Ltd. has a market share of 43.8% of the Buy Now, Pay Later (BNPL) industry while the next competitor only had 23.6% (Sanglap, 2022). This statistic in itself is shown to be highly rare and at this point inimitable and is very valuable and due to it providing some form of prestige and revenue should be considered Organisationally Feasible to uphold.

#### 5.1.4. Strong Customer Satisfaction

Afterpay Ltd. has strong customer satisfaction, with a positive rating of around 80% (Product Review, 2022). Although this is highly valuable it is demonstrated to be not extremely rare or inimitable as the same site also identified Zip Pay as having around the same customer satisfaction rating. However, it is still feasible to uphold due to not maintaining it likely leading to a competitive disadvantage.

#### 5.1.5. Good Employee Satisfaction

Afterpay Ltd. has good employee satisfaction of 72% positive, 63% of employees would recommend the company, and 88% approve of the CEO (Glassdoor Inc., 2022). Although this is not necessarily valuable in gaining customers. It is somewhat rare as Zip Pay's approval of the CEO on the same site is only 71% (18% lower). This is also feasible to maintain as employee satisfaction is highly important to set a positive atmosphere for customer satisfaction. However, it is an imitable strength.

### 5.2. Weaknesses

Weaknesses refer to the attributes of Afterpay that result in limitations or defects in the business that make it a less enticing BNPL option than competitors such as Zip. These weaknesses are outlined here along with the following ranking table. This ranks the priority based on a Rare, Inconvertible and Cost (RIC) scale that determines the weaknesses priority to be addressed on a scale of 1-5. 1 being of high priority to solve for Afterpay's success and 5 being the least important.

Table 4: VRIO Ranking Table

| Weakness                     | R                                   | I                                   | C                                   | Priority |
|------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|----------|
| Yet to achieve profitability | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | 1        |
| Lack of Income Diversity     | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 2        |

#### 5.2.1. Yet to achieve profitability

Despite the large revenue stream, Afterpay Ltd. are yet to post a profitable Net Margin. (Dow Jones & Company Inc., 2022). Although this is not entirely rare in the BNPL Business Model, the lack of a profitable net margin is inconvertible and cannot be easily passed onto stakeholders such as consumers and merchants without the risk of losing income.

#### 5.2.2. Lack of Income Diversity

Afterpay Ltd. currently provides a sole service and does not have a diverse portfolio. This is somewhat rare as other BNPL providers have other services that they offer. For example, CommBank provides a BNPL service but is not known directly for it. While the issue is not costly it is inconvertible and addressing it may increase profitability.

### 5.3. Opportunities

Opportunities refer to upcoming changes external to Afterpay that Afterpay may heavily benefit from. These opportunities are outlined here along with the following Importance Imminence Matrix in the threats section of this report. This ranks the priority based on its importance and imminence, likelihood of occurring.

#### 5.3.1. New Ownership

Afterpay was acquired by Square Inc (renamed Block Inc) with the acquisition being completed on January 31, 2022 (Block, Inc. , 2022). This was a great opportunity for Afterpay to expand and indirectly diversify their income streams. Following the closure of the deal Block has listed a 29% increase in gross profit. (O'Shea, 2022). This is a fairly large change that has occurred and changes to Afterpay are imminent as a result.

### 5.4. Threats

Threats refer to upcoming changes external to Afterpay that Afterpay may heavily benefit from. These threats are outlined here along with the following ranking table. This ranks the priority the opportunities and threats based on its importance and imminence, likelihood of occurring.

Table 5: Threats and Opportunities Importance Imminence Matrix

| Importance | High | Address When Possible:                 | Critical:<br>1. New Ownership<br>2. Regulations<br>3. Increasing Interest Rates |
|------------|------|--|---|
|            | Low  | Monitor for Changes:<br>1. Competitors | Address When Possible:  |
|            |      | Low                                    | High  |
| Imminence  |      |  |   |

#### 5.4.1. Competitors

As previously discussed, the BNPL marketplace is extremely overcrowded with other BNPL companies such as ZIP Pay and other companies such as Apple starting to introduce BNPL services. Although this is a threat Afterpay cannot really combat, the business should continue to monitor competitors for changes.

### 5.4.2. Regulations

Regulation by the new Australian government (Guardian News & Media Limited or its affiliated companies, 2022). This has led to less funding by investors (Insider Intelligence Inc., 2022). Although this is a threat, Afterpay cannot really change the business needs to act on the changes to ensure it does not come under legal trouble as regulations change. Afterpay should also continue advocating against further regulations as they are suggested.

### 5.4.1. Increasing Interest Rates

The impending recession threatens growth and leads to reduced consumer spending (Insider Intelligence Inc., 2022). Increased interest rates to combat inflation are also having a negative effect on Afterpay (The Motley Fool Australia Pty Ltd, 2022). Although this is a threat Afterpay cannot really change the business will become negatively impacted if interest rates continue to rise. This is because Afterpay does not charge interest, interest rates will affect Afterpay as consumer spending will likely decrease causing the business to lose income used to pay full payments on new consumers items. It will also most likely lead to increased levels of consumer customers' debts as employment levels will inevitably drop. As a result, it is highly important that Afterpay addresses how this threat will be addressed in its service.

## 5.5. SWOT Management Strategies

The section of the report aims to prioritize the Strengths, Weaknesses, Opportunities and Threats associated with Afterpay, while also suggesting strategies to address these.

### 5.5.1. SWOT Priority Summary

The following table demonstrates how Afterpay should prioritize its strengths, weaknesses, opportunities, and threats. These were conclusions reached through the VRIO, RIC and IIM analyses completed in their respected sections.

Table 6: SWOT Priority Table

|                 |  |   |
|-----------------|--|---|
| <b>Internal</b> | Strengths:<br>Large Current Market Share<br>Strong Customer Satisfaction<br>Innovator<br>Global Presence<br>Good Employee Satisfaction | Weaknesses:<br>Yet to achieve profitability<br>Lack of Income Diversity |
|                 | Opportunities:<br>New Ownership  | Threats:<br>Regulations<br>Increasing Interest Rates<br>Competitors     |
| <b>Positive</b> |  | <b>Negative</b>   |

### 5.5.2. SWOT Strategies

The following table demonstrates the strategies that should be undertaken as a result of the SWOT analysis. These strategies are broken down into 4 separate Quadrants to demonstrate how strengths can be used to take advantage of opportunities, weaknesses can be overcome through taking advantage of opportunities, strengths can be used to reduce the impact of threats and weaknesses can be addressed to overcome threats.

Table 7: SWOT Management Strategies Table

|                      |  |   |
|----------------------|--|---|
| <b>Strengths</b>     | <p>The fact that Afterpay has such a large market share, strong customer satisfaction and global presence should be pushed forward to the new owner company Block Inc. This will ensure <b>Afterpay is</b> provided with the resources to continue growing.</p> <p>The high employee satisfaction rates should also be advocated to be maintained in the changing landscape that new ownership brings.</p> | <p>The fact that Afterpay has such a large market share and global reach demonstrates that it is already a strong competitor. The fact that it was the main original BNPL service provider and has such a strong customer satisfaction rate should be promoted as a selling point over competitors.</p> <p>The introduction of regulations needs to be addressed. However, through the large global presence Afterpay has, it means that not all areas of operation will be subject to intense regulation. The global presence also provides a pedestal for Afterpay to continue advocating against further regulation.</p> <p>Although Increasing Interest Rates is not something Afterpay can prevent. The effects can be mitigated through attempting to maintain its large number of satisfied customers compared to competitors and global reach.</p>  |
|                      | <b>Weaknesses</b>  | <p>The new ownership of Block Inc. should be used to gain insight into how to become more profitable in a marketplace of providing economic services. Afterpay should also seek to become more diverse in its income streams through gaining partnerships with other companies owned by Block Inc. Such as, Square Hardware.</p> <p>The weaknesses of Afterpay should be addressed to reduce the impact of threats. As addressed previously Afterpay already has a large competitive advantage over its competitors through a large market share and customer satisfaction.</p> <p>However, the BNPL industry is suffering due to increased interest rates and regulations. Afterpay should seek to achieve higher levels of profitability through changing some aspects it operates in. For example, increasing the merchant charge from 4.7% and increasing late payment fees. Afterpay should also use its new connections through Block Inc to gain income diversity and new ideas to become more profitable.</p> |
| <b>Opportunities</b> |  | <b>Threats</b>  |

## **6. Problem Identification**

This section of the report aims to identify and outline the potential problems that may arise for Afterpay. These problems are outlined below and defined in the appendix of this report.

### **6.1. Reduced Consumer Spending Ability**

The rising living costs and increases in unemployment threaten to reduce consumer spending that Afterpay relies upon. This also results in consumers with current repayment plans being unable to meet repayments (McGhee, 2022).

### **6.2. Growing BNPL Market Place**

The number of new players offering a similar BNPL service such as Suncorp, Commonwealth Bank and Apple continues to grow (Whitson, 2022). This results in an overcrowded marketplace and possible reduction of customers for Afterpay.

### **6.3. Government Regulations**

Government systems globally have and will continue to implement regulations on the BNPL industry. This has resulted in Afterpay having to continue to monitor the changing legal landscape and make changes to business practices as a result.

### **6.4. Continuing Inability to Achieve Profitability**

Afterpay since its inception has been unable to achieve profitability. With the rising interest rates and possible reduced number of customers as mentioned previously. This may have a detrimental impact on the business if the issue is not resolved.

## 7. Next steps

This section of the report aims to address the current steps Afterpay's top management appears to be pursuing through research conducted. While also taking forward steps top management should consider pursuing as a result of the findings of this report. The purpose here being to resolve issues and take advantage of opportunities.

### 7.1. Assumed Current Steps

1. Buy now pay later market is becoming more competitive as tech giants Apple are planning to enter the market. Commbank has already entered the market, but they are providing BNPL services to their CBA members and working under the National Credit Code act. To tackle Commbank and other buy now pay later services AfterPay is introducing a new financial app which lets the user buy products through Crypto-currency and let you invest as well. Afterpay should also introduce new cards which can be used anywhere instead of only being available for online shopping.
2. AfterPay is a self-regulatory body as it stops people from buying products in-case they have not cleared their arrears. As the new government wants to put new regulations. Afterpay is hoping it is regulation that suits their products and not as strict as The National Credit Code.
3. Afterpay debt increases in recent years because less because of customers not been able to pay back. AfterPay has more than 14 million online users and is now aiming to attract good customers and decrease the spending limit to a minimum.

### 7.2. Proposed Next Steps

#### 7.2.1. Actions to Act on Opportunities and Strengths

1. AfterPay Should continue to communicate with and gain insight from all stakeholders. This will allow any changes made to Afterpay to be made in respect to their problems, ideas, and support.
2. Seek to implement an easy-to-use app and payment processor with the aid of the new owner Block Inc.
3. Increase not only the number of merchants that support the service, including seeking them from relationships of other companies owned by Block Inc. But also seek to gain a relationship with new and current merchants to gain a greater public presence through more awareness and marketing.
4. Seek to continue to maintain a large market share and global reach and strong customer service to maintain a strong position over competitors.



**7.2.2. Actions to Act on Problems, Threats, and Weaknesses**

1. Continue to operate under the BNPL code of practice while also starting plans to be compliant with the National Consumer Credit Protection Act (NCCP Act) and the various restrictions this will enforce (e.g., credit checks on consumers, ability to adjust loan repayments, etc.). Address new regulations as they appear to prevent legal repercussions and demonstrate cooperation. Whilst also advocating against future regulations respectfully and introduce new regulations on its consumers itself to avoid the further implementation of strict regulation from the government.
2. Maintain a good customer service relationship and seek to implement incentives so that consumers are encouraged to meet repayment schedules. This results in good consumers returning.
3. To decrease levels of consumer debt AfterPay should not increase the limit of any customer without their request. AfterPay should do background check for increasing their limit above \$1000. The other way to tackle it is having direct affiliation with banks and PayPal and should only do direct debit to avoid further debt. That way AfterPay will only attract good customers and will decrease the number of bad customers.
4. A major drawback of using Afterpay are the late fees. You will be hit with an \$8 fee, or 25% of your transaction, whichever is less, for each overdue payment (Paul, 2022). AfterPay should only charge its customers once for its overdue payment.

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## 9. Appendices

### 8.1. Problem Identification

This section of the Appendix provides a problem definition for each of the problems previously identified in section 6 of the report.

#### 1. Consumers being unable to meet repayments due to increases of cost of living and unemployment (McGhee, 2022).

*Problem statement:*

Rising living costs and increases in unemployment threaten the increase in spending that Afterpay relies upon

*List of issues:*

Decreased expendable income, lower spending, and less need for Afterpay

*List of objectives:*

Incentivise increased spending, increase customer base, lower friction forces as much as possible to make using Afterpay as easy as possible. Create a larger ecosystem where Afterpay can be used by increasing the number of supported vendors

*List of requirements:*

Easy to use app and payment processor, large number of merchants that support the service and greater public presence through more awareness and marketing. Support flexible payment plans to help alleviate consumers defaulting on loans.

*List of constraints:*

Development budget, limited number of potential users that is mostly a younger demographic. Investment.

#### 2. Growing BNPL market with new players offering a similar service (Suncorp, Commonwealth Bank and Apple) (Whitson, 2022).

*Problem statement:*

Increases in competition in the buy now pay later industry dilute the market and threaten Afterpay's small profit margins

*List of issues:*

Increases in competition are leading to a decrease in profit and the need for competitive practices to stay relevant.

*List of objectives*

Maintain a position as the market leader in the buy now pay later space. Make the service so good that the current users don't want to leave for a rival

*List of requirements*

Usable and competitive product. Simple and easy to understand.

*List of constraints*

Users have more choice than ever. There are only so many changes that can be made to increase user satisfaction.

### **3. Government regulations on the BNPL industry (Eisen & Hancock, 2019), (Knight, 2022)**

*Problem statement:*

Government regulations on the buy now pay later industry

*List of issues:*

Ongoing monitoring of the BNPL sector by governmental bodies could impose stricter regulations on the industry, as these products are now brought under the definition of credit facility.

*List of objectives:*

Ensure the company, and product, complies within a reasonable amount of time to any newly imposed regulations that could govern their business due to the credit facility designation.

*List of requirements:*

Continue to operate under the BNPL code of practice while also starting plans to be compliant with the National Consumer Credit Protection Act (NCCP Act) and the various restrictions this will enforce (e.g., credit checks on consumers, ability to adjust loan repayments, etc.)

*List of constraints:*

The timeline this issue is not known as the regulations could be imposed at any time the regulatory body meets. This will also have to be prioritized once the regulation is in place, as fines could be enforced if the company is not compliant.

### **4. Yet to achieve profitability**

*Problem statement:*

Afterpay is yet to achieve profitability (Dow Jones & Company Inc., 2022).

*List of issues:*

In the past 5 years, Afterpay Ltd. has posted a loss of Net Income in every annual report. In order to continue to establish itself as a secure company, revenue will need to start covering expenses on a yearly basis.

*List of objectives:*

Establish a stable revenue stream off the already expansive customer base and diversify revenue streams in order to secure the company further for future investments.

*List of requirements:*

Identify ways to capitalize off the current customer base. Diversify the company's portfolio to include other revenue streams.

*List of constraints:*

Afterpay currently only generates profit through late fees and processing fees. This is a small margin for profit and can be minimized greatly if users are unable to pay back their debts.

## 8.2. Group Activity Overview

# INFT2150 – BUSINESS ANALYSIS BUSINESS REPORT GROUP ACTIVITY OVERVIEW \*

**Group Name:** WED\_3PM\_A

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## Business Report Components

| Component                                     | Responsibility (Student Names)                |
|---|---|
| 1. Report format [5%]                         | Emily Moy                                     |
| 2. Executive summary [5%]                     | Aiden Rosewood and Emily Moy                  |
| 3. Objectives [5%]                            | Aiden Rosewood and Emily Moy                  |
| 4. Systems modelling [15%]                    | Emily Moy                                     |
| 5. Stakeholder analysis [15%]                 | Ryan Costin and Emily Moy                     |
| 6. SWOT analysis [15%]                        | Timothy Kemmis, Mitchell Guihot and Emily Moy |
| 7. Problem identification & description [15%] | Timothy Kemmis, Mitchell Guihot and Emily Moy |
| 8. Next steps [10%]                           | Nabeel Majid and Emily Moy                    |
| 9. Writing and referencing [15%]              | Everyone                                      |

Note: Each component needs to be assigned to at least one person. However, it is also possible to assign a component to several individuals or even the whole group. Further components (e.g., appendix) can be added as required.