**Financial Technology Case Study: Zip Limited**

Zip Ltd was incorporated in 2013. The company was founded by Larry Diamond and Peter Gray. Larry Diamond had been working in banking and finance industry and the idea of the facility/company came through the concept of providing access to credit for consumers without an immediate interest charge for purchases through a simple application process. The Buy now pay later concept was conceived to interrupt the credit card market which was traditionally operated by banks and provided credit to consumers via a plastic credit card in which purchases could be made at retailers.

The company was initially funded by seed capital prior to listing on the ASX then went to an IPO on the ASX. The initial public offering was for 4,000,000 shares at .20 cents. The ASX listing date was the 25th of September 2015.

**Business Activities:**

Zip Ltd looked to overcome the problem of access to finance for small retail purchases by consumers and alleviate the issue of long term stock holding by retailers. Zip Pay targets purchases up to $1,000 which was traditionally the place of credit card usage or through the layby system used by large retailers who would hold stock on behalf of consumers when a deposit was placed with the view of making multiple payments over an elected time frame.

The intended customer of the company are consumers and retailers. The consumer has quick and easy access to finance via online application and access to interest free credit. If the consumer pays for the item in a prescribed period they do not incur any charges. The retailer pays a commission fee of approximately 5% of the purchase price of the item. The advantage is they have an immediate sale and do not have to hold stock onsite for the period of layby for collection by the consumer.

The market for Zip Pay is global with all retailers potentially being able to use their services. It currently operates in 14 countries across the world. Major countries are: USA, England, India, Australia and South Africa

In short the competitors charge the consumer interest upfront for purchases whereas Zip Pay will only charge interest once the payment period has lapsed.

The company launched buy now pay later system on a digital phone wallet which can be used on an apple pay or google pay app. The app can be used at any store operating under the Zip Pay system

**Landscape:**

Zip Pay operates in the financial services sector providing short term finance to retail consumers. Over the past 5 to 10 years there has been a move to digital payments systems by phone. Applications such as Apple Pay have enabled a digital wallet whereby consumers do not need a physical credit card to make purchases. The consumer can use an application on their phone to make a purchase which then accesses their bank account. In the case of Zip Pay it will access the consumers credit facility.

Other companies which operate in this space are:

After Pay: minimum loan $35, max loan $1,500 no establishment fee, no credit check

Bundll: minimum loan $1.00, max $4,000, $2.50 establishment fee, credit check required

Humm: minimum loan $2,000, max $30,000, $90 establishment fee, credit check required

Fupay: minimum loan $20, maximum loan $500. 0.5% establishment fee, no credit check

Results:

Zip Pay commenced operations in Australia and has expanded to 14 countries globally operating in the USA and Europe. They have an annualised turnover of over $9.0 billion and revenue of more than $600 million operating through more than 80,000 merchants and more than 9 million customers. Zip Pay has grown in conjunction with the trend of consumers with transactions increasing by 140 % over the past year. At this point the company has been focussing on growth/expansion and have had several capital raisings to fund their strategy.

The biggest impact the buy now pay later operators have made is with younger generations such as millennials and Gen Z who are new to the workforce and who are always looking to keep abreast with recent fashion and technology trends. This younger generation are quick to adapt to new forms of technology and Zip Pay financial technology application is promoted in such a fashion that it is seen as the new way to finance purchases for the younger generation. Zip Pay is promoted online or through social media avenues and through retail outlets.

Recommendations:

In terms of offering further services to consumers, Zip Pay may look to provide credit facilities to retailers whereby they can purchase goods based on their turnover and past sales over 12 to 24 months of operation. They could charge a fee plus interest rate on the items purchased with security over nominated assets. I believe this would increase the margins on their business and enable to enhance relationships with retailers which would give them a competitive advantage against competitors and further facilitate retail transactions.