



Getting a Piece of the Buy Now, Pay Later Pie

26 May 2021 By: Austin Kilgore

Buy now, pay later financing is a burgeoning alternative payment method at the digital and physical point of sale. The size of most BNPL transactions puts it in competition with private-label and store-branded credit cards, and many merchants that have strong private-label card businesses are now adopting BNPL. Meanwhile, BNPL startups have created a niche in digital commerce by seamlessly integrating their loan applications into digital checkouts and leveraging machine-learning algorithms to quickly make underwriting decisions.

However, the rapid growth of BNPL has exposed numerous challenges and difficulties to the business model, particularly when it comes to BNPL-only lenders diversifying their revenue streams to be less reliant on merchant fees. Incumbent financial institutions are at a critical moment: Inaction now will allow BNPL startups to work through their growing pains or quickly implement a strategy to offer competitive alternatives. This report evaluates who uses installment loans today, the current market landscape, as well as areas of opportunity for both traditional and emerging payment service providers.

Key questions discussed in this report:

- How does buy now, pay later financing work and where is it most applicable?
- What consumer segments are most likely to use BNPL and why?
- How can credit card issuers and merchant acquirers meaningfully participate and compete in the BNPL market?

Companies Mentioned: Affirm, Afterpay, Amazon, Barclays, Booking, Bridg, Cardlytics, Casper, Expedia, Gap Inc., Klarna, PayPal, Peloton, Priceline, Quadpay, Sezzle, Shein, Southwest Airlines, Splitit, United Airlines, Wayfair, Zeta

Consumer data in this report was collected via an online survey fielded in April 2021, consisting of a random-sample of 3,000 U.S. consumers.

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