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MAY 2020

HOW IGLOO IS FIGHTING PAYMENT CHOICE FATIGUE WITH BNPL SOLUTIONS

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COVID-19 pandemic nudges
Australian consumers toward
installment payment services

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WHAT'S INSIDE

The COVID-19 pandemic has greatly impacted spending, with customers worldwide significantly changing how they purchase to comply with stay-at-home and social distancing protocols. eCommerce transaction frequency has steadily climbed over the past few months as consumers order what they need online, rather than traveling to physical storefronts, for example, with transactions in the United States [rising](#) 30 percent from the start of March to mid-April over the same period last year.

Shifting toward digital shopping means making additional digital payments, however, and more of these transactions are now being completed using nontraditional methods. Buy now, pay later (BNPL) solutions have become more common during the COVID-19 pandemic, adding on to an existing trend for consumers in Australia. Local installment payments have been on the [rise](#) there for years but now have new weight as businesses and customers scrutinize their finances during the outbreak. Many U.S. consumers have [cut](#) their spending by levels not seen in decades, often putting the money they do have toward decreasing existing debt. Payment methods that can afford them more breathing room have thus [gained](#) popularity.

Installment plans that allow individuals to break necessary purchases into pieces without adding interest or other fees make financial sense during this time, and examining how consumer spending behavior could change in COVID-19's aftermath is also important. Customers are becoming more comfortable with online shopping and BNPL solutions as the pandemic keeps traditional commerce out of reach. How this will impact future spending is thus the essential question for online and brick-and-mortar retailers as well as their payment providers.

AROUND THE BUY NOW, PAY LATER WORLD

COVID-19 still has businesses and consumers isolated in their homes, meaning many are making purchases online out of necessity. One recent [study](#) suggests this shift could improve digital shopping's toehold in Australia, where eCommerce represented just 7.2 percent of all purchases in 2019. BNPL solutions may also be used for larger portions of such payments in the future as consumer adoption has steadily become stronger in the country over the last few years.

BNPL options appear to be catching on in the U.S. as well, with BNPL solutions provider Afterpay [noting](#) it now has 4.4 million customers in the market. The company



said the jump comes with a corresponding rise in sales and that many are from repeat customers. Users may be turning to BNPL products to help them mitigate financial pressures during the pandemic, with consumers in Europe, the United Kingdom and the U.S. all dealing with income losses or increased reliance upon their savings. Such developments may make flexible installment payments more attractive when making essential purchases.

The pandemic may be accelerating customer abandonment of more established payment methods, such as credit cards, too. Younger customers have historically been wary of credit, but recent [research](#) suggests those of all ages are less likely to engage with the method during the outbreak. Credit score inquiries in New Zealand have decreased 60 percent since stay-at-home and quarantine orders were given, for example. This is an interesting development as credit is typically seen as a product that can help consumers ease cost concerns.

This trend may indicate that perception has shifted toward methods like installment payments, however.

For more on these and other stories from around the BNPL space, read the Tracker's News and Trends section (p. 11).

IGLOO LOOKS TO BNPL FOR PAYMENT FLEXIBILITY

Consumers are fond of having options, both with the products or services they wish to purchase and the payment methods they use for them. Enabling flexibility at the point of sale (POS) is therefore critical for retailers, especially when consumers are being more cautious with their spending, such as during a pandemic. Offering too many payment options can be just as detrimental to customer comfort or sales as offering too few, however. Customers are searching for retailers that can meet them in the middle with methods that feel personalized

to their changing financial and payment needs, meaning merchants must be strategic in supporting methods. In this month's Feature Story (p. 8), Brian Garofalow, vice president of eCommerce for North American cooler retailer [Igloo](#), explains how BNPL solutions can give consumers the flexibility they need without causing decision fatigue at checkout.

DEEP DIVE: HOW PANDEMIC-RELATED BUDGET WORRIES ARE DRIVING BNPL PRODUCTS' POPULARITY

Customers are tightening their purse strings during the global economic downturn. These individuals and the retailers upon which they rely are each dealing with intensifying financial pressures the longer it continues, too: The former are concerned about affording essential goods or services — some after recently losing jobs or being furloughed — while covering rent payments and other bills, and the latter are worried about whether they will be able to remain in business amid stay-at-home mandates.

This uncertainty makes it critical that consumers purchase items they feel are affordable and that retailers offer flexible payment options to reduce the likelihood of customer cart abandonment. This month's Deep Dive (p. 17) examines how pandemic-related financial concerns are driving BNPL payment methods' popularity and explains what such developments could mean for the industry's future.

EXECUTIVE INSIGHT

What are some of the ways the COVID-19 pandemic has changed consumers' payment preferences?

"Online [payment] adoption [is] accelerating at record rates, [yet] the obvious resulting outcome [of the pandemic] is the steep decline in cash in the economy. [There is also a] tangible shift away from credit cards as consumers demonstrate a clear aversion to financial risk — especially for lifestyle purchases.

Cash and credit payments alike are quickly being replaced by debit cards, including tap-and-go technology and BNPL solutions, which let consumers pay over time. Afterpay's U.S. data has shown a significant shift to debit over the COVID-19 period, beginning in March — now with 90 percent of consumers electing to use their debit cards to pay for their installments. Visa's most recent quarterly results announcement [showed a similar decline, with] a sharp decrease in U.S. credit card usage versus debit, with credit down 31 percent. [This is] compared to debit, which was down just 6 percent.

Merchants large and small that focus on their online presences and offer payment solutions that allow consumers to pay over time using their own money will be best positioned to align with a 'new normal' for consumers in the post-COVID-19 era."

NICK MOLNAR,

U.S. CEO and co-founder of [AFTERPAY](#)

5 FIVE FAST FACTS

56%

Share of Australian BNPL consumers between 14 and 34 years old



55.5%

Portion of Australian consumers who are now aware of BNPL solutions



\$47B

Projected value of the Australian eCommerce market by 2023



60%

Decline in consumer credit score inquiries in March in New Zealand



7.5%

Amount that U.S. consumer spending fell from March to April



Customer Journey



HOW IGLOO IS **FIGHTING PAYMENT CHOICE FATIGUE WITH BNPL SOLUTIONS**

feature story



FEATURE STORY

Consumers have largely turned to eCommerce since efforts to slow the spread of COVID-19 shuttered brick-and-mortar stores — online purchases [increased](#) 30 percent between March and mid-April compared to the same period last year. This figure may lead some to assume those affected simply switched to online shopping without issue, but spend patterns during this time have shifted more dramatically.

U.S. consumers started out buying essentials like groceries and medical supplies before turning to more varied retail purchases and quickly appeared to need payment methods that fit their more focused shopping needs. Many have felt [overextended](#) by traditional options like credit cards that charge interest, leaving retailers to employ comfortable ways for shoppers to complete their purchases.

Alternative payment methods like mobile wallets or instant credit are becoming more attractive, but retailers must remember that consumers are not necessarily searching for the next big payment trend. They want options that fill their needs in the present moment, Brian Garofalow, vice president of eCommerce for North American cooler retailer [Igloo](#), noted in a recent interview with PYMNTS — and offering too many choices can be as detrimental as offering too few.

“We really have to find the balance between where and how the customers want to convert and transact versus how many [payment] options are too [many],” said Garofalow. “When I [as a customer] do not know which service I want to use to pay, I [as a retailer] have already wasted too much time and I am losing consumer confidence.”

The aim is thus to increase conversions by providing seamless experiences, he explained. Implementing installment payments — rather than other alternative solutions — into checkout experiences may help retailers provide the flexibility customers need both during the pandemic and well into the future.

RIISING CUSTOMER COMFORT

The need to balance payment flexibility with customer comfort has been well documented, with payment providers and merchants of all kinds [discussing](#) the dangers of [implementing](#) too many options at checkout. Retailers that examine such trends better understand what consumers would like to see alongside traditional methods like credit and debit, and recent data [indicates](#) both rising comfort with and greater interest in BNPL products.

Customers’ growing awareness of and actual engagement with the method led Igloo to support BNPL solutions, Garofalow said. This happened well before the COVID-19 pandemic flipped established commerce patterns on

their heads — the company added an Afterpay solution to its checkout experience just before 2019's Black Friday and Cyber Monday online holiday rush.

"The rise of the [payment] category makes a lot of sense when you are talking about macroeconomics," he explained. "The [customers using it] tend to be younger, they have less expendable income [and] they have a lot more need to have a product with some sort of immediacy — whether that is for a gifting purpose or it is being used for an adventure this weekend. The fact that [there is] a payment vehicle ... to [meet] those consumers' needs and wants [hits] the nail on the head."

Millennials were among the first to try the new addition at checkout, Garofalow remarked. Their spending habits are paramount to retailers because the group is responsible for a growing share of retail purchases and is far more likely than other demographics to [try](#) out newer methods.

"The top consumer groups are males and females 25 to 34 [years old]," he said. "That is what we had expected ...

The actual products they are purchasing also make a lot of sense to us. [They include] some of our higher-ticket items, [which can cost] \$150 or more as a single purchase."

These buying trends make sense as BNPL solutions become more established in markets like Australia, U.K. and the U.S. Consumers around the world have become steadily more intrigued by such payments, and recent [research](#) shows the COVID-19 pandemic's impacts on their personal finances may have led many more to give installment payments a try.

COVID-19 AND FUTURE PAYMENTS

Examining COVID-19's impact on short-term buying habits has become important to retailers. Many consumers have had to tighten their purse strings amid the recent economic downturn, meaning they may not feel comfortable paying even typical amounts for purchases. BNPL products have thus [experienced](#) sharpened interest as consumers consider installments to ensure they have the goods they need or want.

"Yes, [COVID-19] is certainly affecting people's buying habits," Garofalow said. "We are going to see a lot of things happen in the short-term ... that will have an impact on what we can do. ... We are seeing very small things change already. We work with a lot of big retailers that are selling all of our products online, and we are seeing some data points change quickly."

How eCommerce sales will shift in the long-term is something merchants and payment providers must begin to study to make sure they can keep offering customers the seamless shopping and payment experiences they need. Retailers must be aware of how the methods they offer support customers in the moment and whether those options can adapt to changing situations. Such awareness will require constant research into how and why consumers are buying products.



NEWS & TRENDS

RIISING BNPL POPULARITY

CUSTOMERS CLING TO BNPL SOLUTIONS DURING COVID-19 PANDEMIC

BNPL solutions are finding a foothold in global payments, even during the COVID-19 pandemic. Installment payment solutions provider Afterpay [reported](#) in April that it now has 4.4 million U.S. customers and saw a corresponding jump in sales and partnerships in the country that generated more than \$1 billion in the third quarter of its 2020 fiscal year. This indicates that BNPL options are gaining favor in the U.S. and customers' comfort with BNPL products appears to be leading to repeat use. The company said that 90 percent of its total sales dollar value, or gross merchandise volume (GMV), was created by existing customers.

BNPL solutions' popularity does not appear to be harmed by the COVID-19 pandemic, possibly because such offerings benefit individuals who may be financially struggling during the current economic downturn. Installments enable consumers to break their payments for essential goods up over time — a key benefit when many are dealing with losses in income or relying on their savings to get through the pandemic.

COVID-19 SHIFTS AUSTRALIAN PAYMENT BEHAVIOR

A recent study found that Australian consumers seem particularly fond of BNPL solutions during the COVID-19 pandemic. Spending on such apps [grew](#) by 22 percent in the first week of May compared to February figures, following a period where other methods of payment, such as cash ATM withdrawals, declined. Such withdrawals fell 32 percent below normal levels for the week of April 20 to April 26. An additional study found that more local consumers are now using installment payments for the very first time. Thirty-six percent of surveyed consumers noted they had used BNPL for the first time during the COVID-19 pandemic. Individuals are using the payment options to purchase beauty and skin care products, department store toys, games and books, as well as home goods.

Australia has become a top market for BNPL product adoption. Younger local consumers are currently the most likely to pay with the method, according to other [studies](#), as 56 percent of BNPL users in the country are between 14 and 34 years old. Awareness has also [increased](#), with 55.5 percent of the population now conscious of BNPL options: Just 41.5 percent of consumers were aware of them in 2019.

TENCENT GROWS INTEREST IN BNPL SOLUTIONS WITH AFTERPAY INVESTMENT

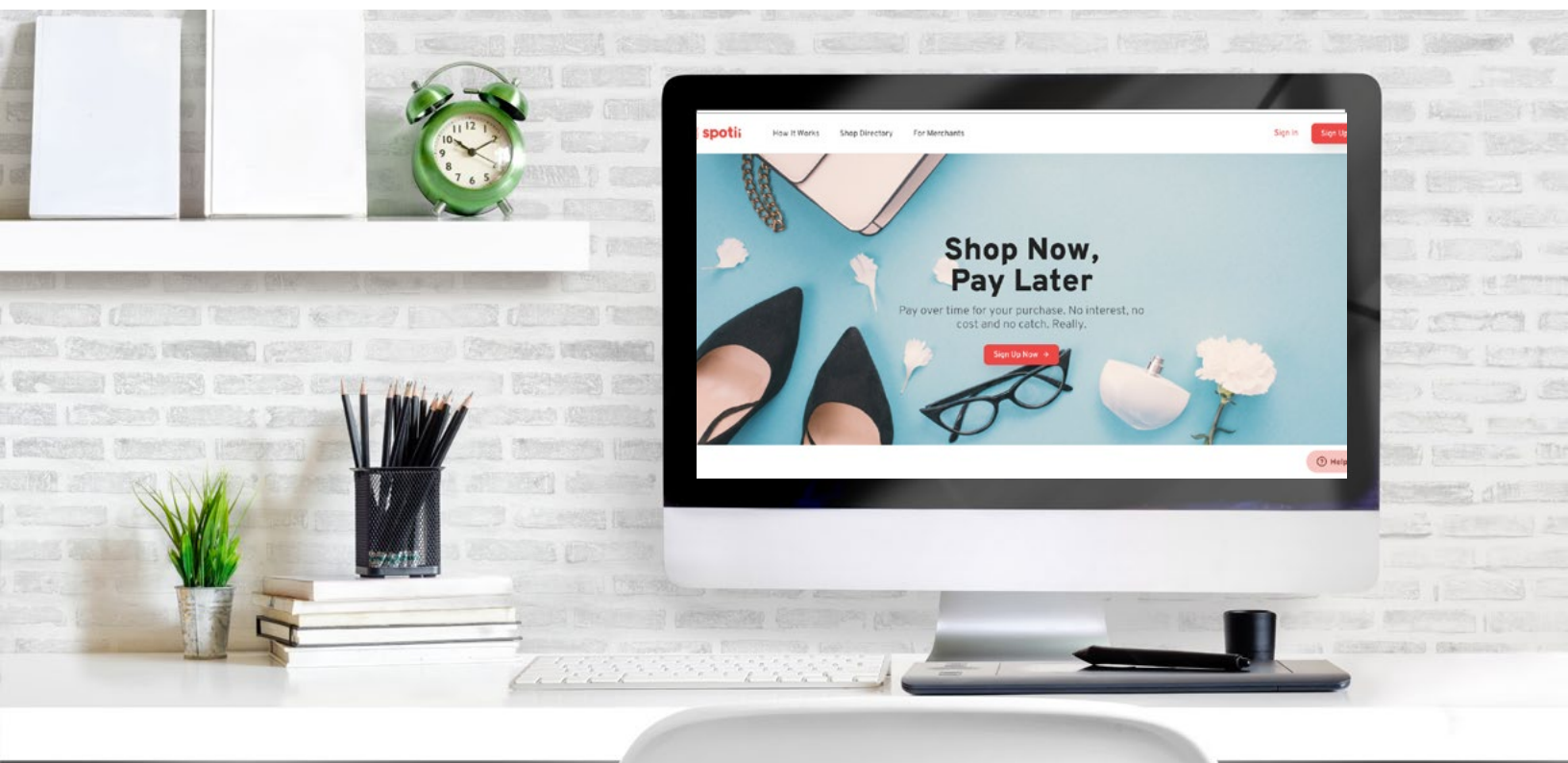
The COVID-19 outbreak disrupted many firms' operations but has not stopped some companies that want to take more active roles in the BNPL solutions market. Chinese telecommunications firm Tencent, the operator of messaging application WeChat and WeChat Pay, recently [bought](#) a 5 percent equity stake in BNPL provider Afterpay. The \$300 million purchase was reported in early May, and the latter's stock value jumped after the news broke. The equity buy allows Tencent to enter the space and sets up future partnerships between the companies.

This move could have intriguing future applications for Afterpay, conceivably propping open a door for it to enter the Chinese market. The country's financial and privacy regulations have challenged foreign companies, but

Afterpay's working relationship with Tencent could allow it to navigate that aspect with more ease and give it [access](#) to the more than 1 billion who use WeChat each month. Afterpay has so far not announced plans to move into China, but company representatives have said it will focus on growth and expansion as an overall goal for the next year.

SPOTII ROLLS OUT UAE INSTALLMENT PAYMENT PLATFORM

BNPL payment usage is also advancing in the United Arab Emirates, with local FinTech Spotii [announcing](#) it has opened an instant credit platform for domestic consumers. Users can pay for purchases in four installments using this service, which is currently supported by four partner retailers for fashion, clothing and home furnishings. It will appear as a payment option for consumers



when finalizing purchases on these retailers' websites, Spotii said, and the company plans to announce other merchant partners once the COVID-19 pandemic has passed.

Spotii is offering consumers the option to pay for purchases without collecting interest, instead collecting fees from its partner merchants. It pays merchants upfront to ensure they receive their funds at the point of purchase, meaning consumers can pay the service back without retailers worrying about their own cash flow problems. This is particularly pressing during the COVID-19 pandemic as sales are still below typical levels.

SAMSUNG OFFERS BNPL SOLUTION TO DRIVE ELECTRONICS SALES

Electronics provider Samsung is also utilizing installment payments to drive sales, [announcing](#) it is working with two third-party providers on in-house BNPL programs to ease purchasing for consumers. Customers can use the plans to purchase smartphones or upgrade to new models using monthly installments, according to the company, including products from its Galaxy, Note and Ultra product lines. These programs allow consumers access to payment solutions outside traditional methods like credit cards, which are becoming less popular with younger consumers.

Samsung's decision to create an in-house BNPL program comes as the popularity of third-party installment payment providers in countries like Australia and the U.S. continues to expand, and it could have interesting consequences. Keeping the installment payment experience Samsung-branded may discourage individuals that have become dedicated users of such apps, for example, meaning Samsung will need to do its part to educate consumers about the available options and differentiate itself from the competition to encourage adoption.

eCOMMERCE DEVELOPMENTS

ONLINE FASHION RETAILERS LEAN ON BNPL

Many eCommerce retailers that stocked everyday items such as toilet paper or toothpaste saw a jump in transactions in the early months of the COVID-19 pandemic. The period was more difficult for retailers that sold "non-essential" items, however, with fashion brands seeing their sales drop as consumers tightened their financial belts. Many are experiencing improved sales now that a degree of normalcy has returned to online shopping, though, and several are [turning](#) to BNPL options to get rid of excess inventory and reduce their costs.

eCommerce fashion site Tjori credits its support of installment payments for being able to generate 70 percent of its typical sales online. This meant the company had money available to pay craftspeople and vendors that stock its online shelves, founder Mansi Gupta said in a recent statement, and that these companies could keep their own supply chains moving. Work-ready clothing company 1620 Workwear is another retailer leveraging BNPL options, [turning](#) to installment payments to keep up with sales challenges during the COVID-19 pandemic. Retailers across industries will need to follow how BNPL solutions can make vital purchases more affordable for cash-strapped consumers as their shopping patterns begin to normalize.

COVID-19 PUSHES AUSTRALIAN eCOMMERCE

Many retailers had to adjust their business models in response to COVID-19, shuttering brick-and-mortar locations and relying on online platforms, and those moves could significantly change consumers' purchasing behaviors. Australian customers are already using less cash



when shopping and they are making more of their purchases online, for example, which could strengthen eCommerce's role in the country. Just 7.2 percent of all local retail purchases were [made](#) through eCommerce platforms in 2019, up from 5.9 percent in 2015, but stay-at-home and social distancing protocols could spark even more growth by the end of 2020.

Studies show BNPL can increase the amount consumers buy during typical economic conditions, too, with basket sizes [rising](#) up to 30 percent when users pay with it. The current eCommerce boost means retailers will need to respond to shifting payment trends — including BNPL products, faster payment rails and mobile wallets' growing

popularity — and be prepared for customers to remain financially shy after reevaluating where or how they spend. Offering quick-but-affordable innovations like BNPL products will likely be an important differentiator in the upcoming months as the Australian eCommerce market is still projected to [reach](#) \$47 billion in value by 2023.

ePAYLATER PARTNERS WITH ZIPGRID FOR COVID-19 PAYMENTS

Providers in India are also responding to changing customer payment needs following the COVID-19 pandemic. Digital credit solutions service ePayLater will be [working](#) with technology and web solutions provider Zipgrid to ensure

consumers in gated communities can finalize online orders and receive their purchases at speed, for example. The latter provides online management services – including web design, support and payments – for such communities, allowing them to create websites, connect via social media and make payments online. The partnership will allow residents to make digital grocery purchases of food items listed on Zipgrid's mobile app, and the items will then be delivered to residents' doors to eliminate the risk of exposure to COVID-19.

ePayLater gives users two weeks to pay the purchases off without interest, then charges 3 percent interest per month until the balance is paid. Its solution will be available within the Zipgrid mobile app for its community residents, and Zipgrid is available in five Indian cities, including Ahmedabad, Hyderabad, Mumbai, Pune and Surat.

RENAULT PROMOTES INSTALLMENT PAYMENT SCHEME FOR VEHICLE PURCHASES

French vehicle manufacturer Renault is also looking to BNPL payments in India as the COVID-19 pandemic continues, reopening 194 of its showrooms in the country and [announcing](#) an installment payment plan to promote purchases. Customers can buy Renault cars and begin making their estimated monthly installment (EMI) payments – fixed amounts that customers pay each month, including both the principal loan figure as well as any accrued interest – three months later, according to the company. Potential purchasers can access this BNPL payment solution at the showrooms or make payments through the Renault India website or My Renault mobile application.

The BNPL offering is part of a larger scheme to create more comfort and opportunity for customers as Renault opens up its physical dealerships. The company plans to keep its staff and visitors safe by conducting health screenings of employees working in its showrooms, it said.

LENDING AND PAYMENTS

AFTERPAY TAKES STEPS TO LIMIT RISK DURING PANDEMIC

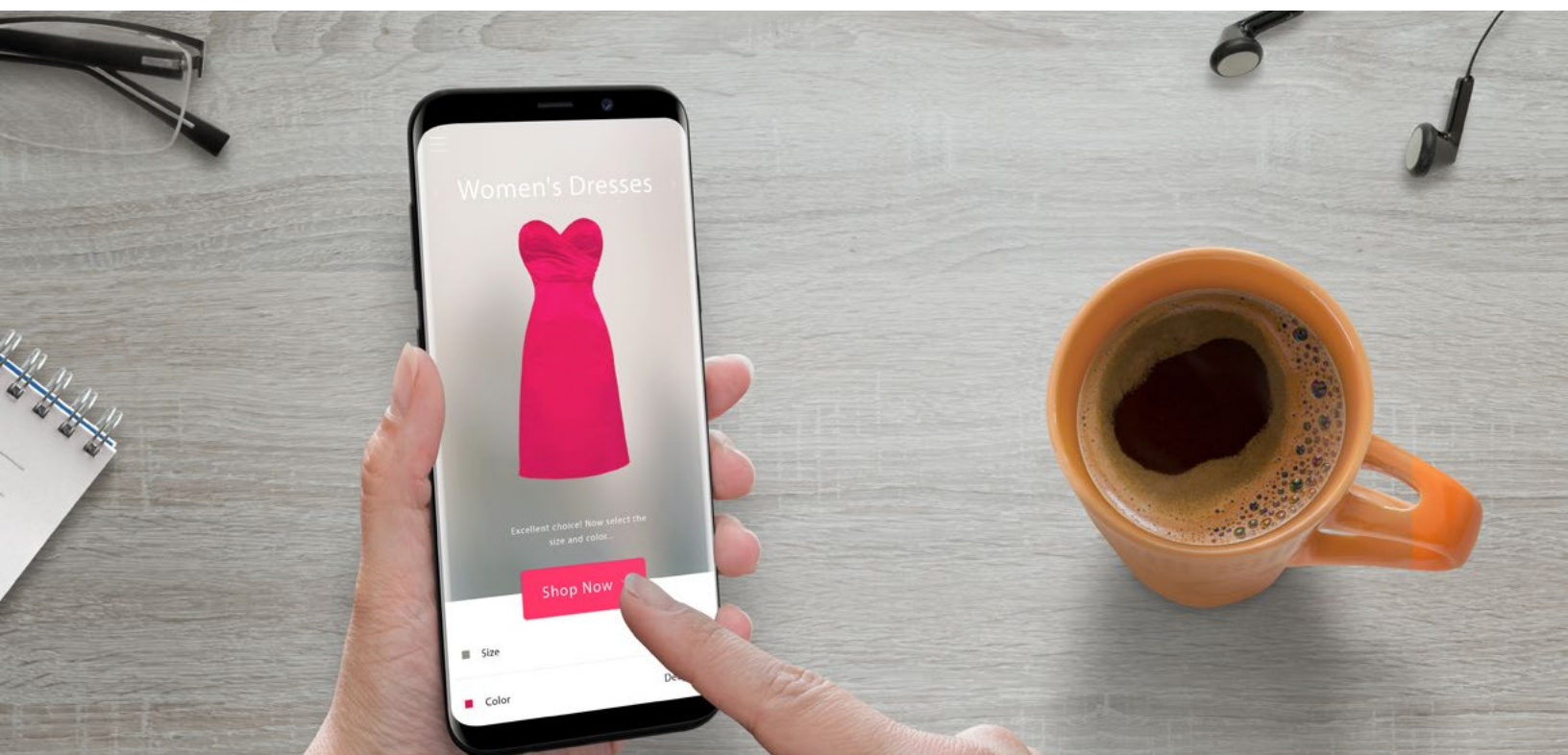
Other BNPL payment solutions providers are making their own changes to their offerings as the COVID-19 pandemic continues, with Afterpay shifting to how it evaluates risk and repayment factors. The company is [adding](#) further risk analysis for luxury purchases to make sure new customers can make payments for products without additional financial strain, for example, and upgrading its rules to ask that many customers pay the first installment of their purchases upfront. The latter aims to ensure the merchants that are also currently experiencing financial stresses have access to at least some of the funds from such purchases.

These moves come after the company's customers reported repayment hardships in March and are designed to make it so its higher-risk customers are not overextended. Afterpay has since reported that share of customers has begun to decline.

AMAZON OPENS INSTANT CREDIT APP TO INDIAN CONSUMERS

The BNPL space is still competitive in the midst of the pandemic, with eCommerce giant Amazon [launching](#) a new instant credit application in India. The Amazon Pay Later app will allow customers to pay merchants in installments over a 12-month period and works like traditional credit in that it will charge interest on purchases that are paid over a few months. Zero interest is charged if the purchases are paid off by the next month, however, and customers can use the app to make purchases with merchants or pay utility bills. Amazon hopes the flexibility will allow them to access the products they need without overextending themselves.

The eCommerce giant is making other moves to give customers more convenient shopping experiences, including



efforts to increase shipping speeds. Amazon is aware of consumers' increased need to receive their goods as quickly as possible during the pandemic, according to company executives, and has thus combined its Amazon Pay Later launch with a partnership with Indian Railways. It hopes to use the latter's trains to more efficiently ship its goods throughout India.

CREDIT APPLICATIONS DECLINE SHARPLY DURING COVID-19 PANDEMIC

The current economic downturn has led consumers around the world to tighten budgets, and spending has dipped harshly during the first few months of the pandemic. This has corresponded with a decline in the number of credit score inquiries, with one recent [report](#) noting that such inquiries dropped by 60 percent in New Zealand

after stay-at-home and social distancing orders were announced. Credit has traditionally been where consumers turn when encountering outstanding bills or other financial difficulties, but recent moves to BNPL products and increased reluctance to engage with credit products [indicates](#) the trend may be shifting.

Younger consumers are typically more reticent to incur debt than past generations and appear to have kept that inclination during the pandemic. Many credit providers are thus offering their customers concessions to help consumers during this period, including waiving interest fees or revamping their payment terms. These changes may not be enough to persuade those with a marked distrust of credit to turn to such options during the pandemic, however. Retailers must therefore find other options, like installment payments, that may help.

DEEP DIVE

PANDEMIC-RELATED **BUDGET CONCERNS** **PUSH BNPL GROWTH**

Consumer spending has sharply declined since the COVID-19 pandemic led to worldwide economic closures. The U.S. Department of Commerce recently [reported](#) that spending in the country fell 7.5 percent from March to April, representing an approximately \$1.1 trillion drop in companies' revenues and one of the most precipitous month-to-month declines the U.S. has seen since January 1987.

The economic downturn has led to layoffs and consumers appear to be preparing for rainier days. They are saving more money, making fewer extraneous purchases and putting more funds toward paying off existing bills, for example: The savings rate among U.S. consumers [increased](#) to 13.1 percent in March from 8 percent

in February. These individuals are in no mood for transactions that would add to their existing bills, meaning credit card fees and interest are factors when they shop for goods and services – and sometimes tip them toward abandoning their carts entirely. Credit card network Visa [saw](#) credit card transactions decrease by 31 percent through the end of April as consumers focused their purchasing on necessities like groceries.

Providing flexible payment methods that customers feel they can afford is now retailers' goal, as many are also experiencing financial strains from COVID-19. The following Deep Dive will examine installment payments' growing popularity during the pandemic and detail how current financial insecurities may push the BNPL industry forward.

ADDING FINANCIAL SECURITY

The economic upheaval following the COVID-19 pandemic has [accelerated](#) the number of companies and consumers trying alternative payment options for complementary reasons. Both sides in the U.S. are [facing](#) steadily tougher financial situations, with rising unemployment rates and increasing concerns about the economy cutting consumers' purchasing power as well as companies' revenues. Each is therefore working to make essential transactions affordable or more seamless, and each has determined that BNPL products are viable potential solutions.

BNPL options turn single large purchases into several smaller transactions, often without interest if paid off quickly. The method allows customers to either buy more items or afford more expensive goods over time with more financial wiggle room. These products have therefore become more [attractive](#) to customers than methods

that add fees to the final purchase tally, both in general and as the pandemic continues.

Such payments can also help both consumers and retailers rediscover the sense of stability they desire during uncertainties like the economic downturn. Consumers can feel more comfortable replacing appliances that may have broken at the worst possible time, for example, such as right after employees lose their jobs or in the midst of a global health crisis. BNPL offerings can also be used to ease the costs of smaller ticket items and help individuals afford the day's groceries.

The financial security BNPL solutions provide is currently resonating with a rising number of consumers. Many installment payment providers have [reported](#) increases in customer adoption figures and greater shares of repeat customers as BNPL enthusiasm picks up, for example. BNPL provider Afterpay [stated](#) it saw \$1 billion in U.S. sales and served 4.4 million customers for the third quarter of its 2020 fiscal year — a 238 percent increase in its



userbase over the same quarter in 2019. That timeline also includes the decline in credit cards transactions reported by Visa, indicating consumers might currently be moving away from credit towards BNPL.

BNPL-related discussions are [cropping up](#) with more frequency in the U.S. as the pandemic continues and as bankers and regulators look to alternatives like digital wallets to [help](#) suppressed businesses and consumers generate more financial stability during this time. Regulators argue such quick digital payment methods could mean that government funds, such as money from the Paycheck Protection Program (PPP), could be more easily distributed to small businesses, for example.

All these developments are focused on short-term improvements, which seems to indicate both banks and regulators are hoping that current spending damage can be swiftly mitigated. Recent [research](#) suggests rising interest in BNPL options during this period may be due to more than just financially stressed consumers and retailers hunting for quick fixes, however, and may instead be part of a wider shift in how customers want to make payments.

BNPL'S RISE AND CREDIT'S FALL

The pandemic may have created more interest in or awareness of installment payments, but usage was already on the rise in markets like the U.S. and Australia. BNPL's ability to cut immediate costs interested customers in these markets before COVID-19 began to intensify the financial pressures they were facing.

This concept has [become](#) much more important to consumers who may lack steady employment or who might currently be relying on savings to get them through layoffs or furloughs, especially those of younger consumer demographics. Younger consumers often earn lower

incomes and have less savings than their Generation X or baby boomer counterparts simply because they have had less time to move up in their companies' ranks or set extra funds aside. They have also been among the most impacted by credit card debt and fees during the COVID-19 pandemic.

One recent survey shows 34 percent — or about one in every three millennials — have [added](#) to their credit card debt since the pandemic's onset, which is an important statistic in light of the surge in interest in BNPL products. These consumers, many of whom are already dealing with student loan bills and other sources of high-interest debt, have a historic distrust for credit. This initial distaste is among the reasons why many in this generation were already interested in BNPL solutions well before the COVID-19 pandemic started taking its toll.

The payment method is most popular among shoppers of younger generations, with Afterpay [noting](#) that 65 percent of its U.S. users are either millennials or from Generation Z. This suggests BNPL products have the potential for a strong future: Younger customers are unlikely to gain more appreciation for credit products — during or after the pandemic — but their opinions on installment payments appear to be less set in stone.

This could represent an opportunity for retailers that wish to build more trust and longer-lasting relationships with these shoppers. BNPL product providers, developers and merchant partners still have time to prove that consumers' responsible use of installment payments can help customers afford what they need without the pressures of added interest and accruing more debt. Closely observing how these customers are using BNPL offerings during the pandemic will thus be critical to adoption figures and future product rollouts.

ABOUT

PYMNTS.com

[PYMNTS.com](https://pymnts.com) is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.



[Afterpay](https://afterpay.com) is a financial technology company and buy now, pay later solutions provider for retail and merchant brands worldwide. The company’s BNPL solutions provide alternative payment support for over 42,000 global merchants both online and in-store, including luxury brands such as Anthropologie, KylieSkin by Kylie Jenner, Ray Ban and Ulta Beauty. It operates both the BNPL solution Afterpay as well as the United Kingdom payment service Clearpay. The company is headquartered in Melbourne, Australia.

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