

BUY NOW,
PAY LATER

TRACKER®

DECEMBER 2021



■ **FEATURE STORY**

Hivessence on tapping BNPL to reach more customers and drive larger ticket sizes

■ **PYMNTS INTELLIGENCE**

Why BNPL plans are projected to make a splash in store and online this holiday season

BUY NOW, PAY LATER

TRACKER®

PYMNTS.com

ACKNOWLEDGMENT

The Buy Now, Pay Later Tracker was produced by PYMNTS. [PYMNTS.com](https://www.pymnts.com) retains full editorial control over the following findings, methodology and data analysis.

TABLE OF CONTENTS



04 EDITOR'S LETTER

A detail-rich assessment of BNPL's growing presence in the retail space and why the method is becoming more popular among consumers planning their holiday purchases



06 FEATURE STORY

An interview with David Burrows, co-founder of personal care products provider Hivessence, on how BNPL can help small merchants expand their reach and encourage larger ticket sizes



12 PYMNTS INTELLIGENCE

An in-depth look at how BNPL is affecting consumer spending during the holiday season, as well as its benefits and potential challenges



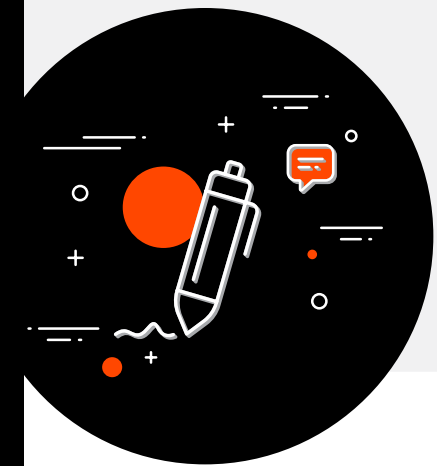
17 NEWS AND TRENDS

The latest headlines from the BNPL space, including the predicted growth of BNPL spending during the 2021 holiday season and regulators' and consumer advocates' rising interest in standardizing BNPL



21 ABOUT

Information on [PYMNTS.com](https://www.pymnts.com)



EDITOR'S LETTER

BUY NOW,
PAY LATER
TRACKER®

Buy now, pay later (BNPL) plans have continued to grow in popularity among consumers and businesses over the past several years, and many retail shoppers are eager to leverage these payment options for their holiday gift purchases. These plans allow consumers to receive items immediately and pay for them in several interest-free installments. BNPL goes beyond traditional big-ticket purchases as well, and many consumers are using it to cover the costs of everything from travel to groceries.

Many consumers, especially millennials and members of Generation Z, are turning to installment payment plans such as BNPL over traditional credit card products. These options represent an alternative for those with less-than-stellar credit scores or insufficient credit histories. Consumers also like the idea of not being charged interest in addition to the predictability of a predetermined number of payments. Many users also perceive BNPL as a budgeting tool rather than a form of credit, even though it similarly allows them to extend their purchasing power beyond the cash they have on hand.

Consumers tend to spend more if BNPL is offered, and some say they would be unable to make planned holiday purchases without it. In addition to seeing larger carts, businesses that offer BNPL could attract consumers who would not buy their products otherwise. This is especially true when considering younger consumers who want to purchase big-ticket items.

BNPL's nature has created interest in greater regulatory oversight, and the response has varied among countries. Some companies engaged in BNPL have already taken steps toward regulation. The greatest concern among providers, however, is that new regulations might lump

BNPL in with traditional credit sources or make it more difficult for consumers to access flexible financial services.

BNPL plans can be valuable financial tools for consumers and businesses alike, and it is becoming more apparent during the holiday season that they are finding favor among a growing number of users. They can save consumers from the interest charges and revolving debt that accompanies credit products, and businesses can realize increased profits by attracting new customers and driving increased spending. There will doubtless be new developments and even potential regulatory shifts in the year ahead, but BNPL providers and merchants that keep a close eye on the changes in various markets will be poised to reap rewards as more consumers take advantage of installment payment plans.



Thought Leadership Team
PYMNTS.com

■ Feature Story

Skincare And Wellness Startup Hivessence On Building **Buzz And Sales** With **BNPL**

STANDING OUT IN THE EXPANDING ECOMMERCE SPACE IS A CHALLENGE FOR ALL BUSINESSES,

but few feel it as acutely as small to mid-sized businesses (SMBs). These smaller firms can struggle to break out from the crowd of eTailers and reach their target audiences, especially if they are just getting started. Even when they do, getting prospective customers to click “buy” is another hurdle, especially for SMBs that offer premium products with higher price tags.

There are a few steps smaller firms can take to put them on a better path to success, however, and getting their payments experiences right is one of them. Consumers shopping with eCommerce merchants — especially those that offer premium products — want access to digital payment options that can keep the purchasing process smooth and affordable, and BNPL is emerging as a particularly enticing option. Incorporating BNPL has been instrumental in giving smaller businesses a much-needed bump in exposure and conversion, according to David Burrows, co-founder of personal care products startup [Hivessence](#).

Burrows and his wife co-founded Hivessence in April 2021 with a mission to sell eco-conscious personal care products, and a portion of their sales go to nonprofits that support bees and other natural pollinators. Hivessence sells 20% of its products via

third parties such as spas and boutiques, but most of its sales are made online. Burrows explained that the company began offering a BNPL option on its website just before Black Friday, and doing so has made a big difference.

“We’ve been doubling sales month over month,” he said. “This December was double-double. Adding [BNPL] and some new metrics to our advertising and outreach, kind of understanding our audiences, has really helped. So, I’m a big fan of buy now, pay later.”

USING BNPL TO INCREASE TICKET SIZES

Burrows said he and his wife had been interested in offering higher-priced packages even before they decided to offer BNPL options. They felt that enabling consumers to spread out the cost of larger





purchases over multiple, interest-free payments would make those larger packages more viable, however. Implementing installment payments has indeed been a driving force in boosting ticket sizes, and Burrows noted that checkouts made using BNPL are approximately 20% higher.

“Skincare can run as high as \$300 a purchase for one item,” he said. “We priced ours fairly competitively, I think. We don’t spend a lot of money on packaging. Everything we use is recycled — sustainable.”

He added that it would not be unusual for Hivessence customers to end up with \$180 worth of purchases in their carts at checkout. Offering BNPL in these cases can make costs far more digestible.

“This kind of brings that perception of price down because instead of paying, maybe, \$180 for their cart at checkout, now that’s been reduced to \$37.80 or \$57.60,” he said. “So that has increased traffic for new customers and has enhanced our sales for existing customers. They may not be getting their Christmas bonus until the end of the year, so this way, they get to go ahead and leverage that, not pay interest and then we get the benefit of that sale.”

Burrows said that the average Hivessence user is approximately 35 years old, female and hails from an urban area, though

customers across all demographics make purchases. He remarked that BNPL use is still primarily the domain of younger consumers from urban areas, and that seeing a BNPL-based purchase is a fairly strong demographic indicator in that regard.

Burrows also noted that he was also pleased with how simple BNPL implementation was. Hivessence’s site is hosted by web development services provider Wix, and its installment payment provider, Klarna, can be smoothly integrated into the platform. He said that, even though merchants pay fees to use BNPL services, these amounts are relatively minimal and users’ higher purchase amounts more than offset them. The full purchase amount for a sale is made available to the company sometime between customers’ first and second installments, he explained.

SECONDARY BNPL BENEFITS

Burrows also said BNPL adds an element of affordability for shoppers. Enabling them to make interest-free payments provides a draw that is similar to offering free shipping or discounts at a much lower cost to the company.

“The incentive to use [it] has been a really good marketing tool that actually not only increases our revenue on check-out but [also] potentially can increase our profitability, even though it’s paid out a little bit later,” he said.

There are other benefits that come with working with BNPL providers as well, Burrows said. Klarna, for example, features merchants that use the service on its website and app, meaning Hivessence is now listed on the BNPL provider’s health and beauty partner directory.

“They’ve got our logo, a picture of one of our products, and then it clicks directly through to our homepage,” Burrows said.

Gaining exposure online, converting potential shoppers into customers and driving bigger ticket sizes can seem daunting, especially for smaller businesses aiming to find their footing amid the crush of online merchants. Adopting flexible payment methods such as BNPL, however, can help them enhance their appeal, boost their profits and see success from day one.



BNPL Expected To Play An Expanding Role In 2021 Holiday Spending

Seventy-one percent of U.S. consumers **planned** to spend at least as much on holiday gifts this year as they did in 2020, if not more, and BNPL could prove to be a popular payment method among those looking to manage their budgets as holiday spending rises. BNPL programs enable shoppers to break up payments for their purchases into several installments without the additional interest that comes with traditional credit products.

Consumer interest in using BNPL to treat loved ones this holiday season is high, especially after enduring the pandemic for 21 months: 42% of BNPL-interested consumers **cite** this as the reason why they want to splurge using BNPL. Another 33% said they are still facing financial uncertainty because of the pandemic but noted that they will have greater stability after the new year.

Consumers are looking to spend this holiday season, and BNPL options could help them treat not just themselves but also their loved ones. This month, PYMNTS examines how BNPL could boost spending during the holidays as consumers reacquaint themselves with shopping for everything from travel tickets to holiday gifts.

PAYING TOMORROW FOR A HAPPIER HOLIDAY SEASON TODAY

U.S. consumers **expect** to spend an average of \$598 during the 2021 holiday season compared to the \$539 they expected to spend in

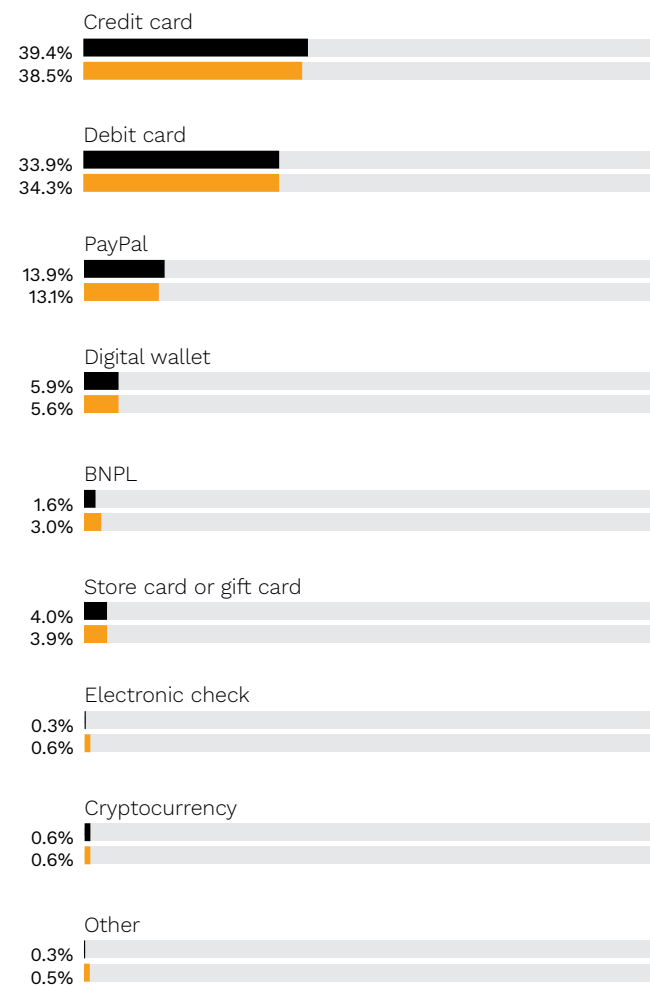
2020. With 76% of consumers looking forward to spending time with loved ones following the 2020 holiday season that saw reduced travel, 43% planned to give gifts related to experiences or services, including paying for travel or airline tickets. Among millennial consumers aged 32 to 39, 40% planned to pay for someone else's travel expenses for the holidays, while 33% of Gen Z consumers to spend on experiences such as visits to amusement parks or weekend getaways. Additionally, the 3% of shoppers who **told** PYMNTS they planned to use BNPL for holiday purchases is nearly double the 1.6% who used the option during the 2020 holiday season.

BNPL may be making a significant mark on the retail world and how consumers prefer to spend, yet credit cards have **remained** the most popular way for consumers to make purchases beyond their immediate means. Seventy-five percent of consumers plan to pay for gifts with their credit cards, including 15% who plan to use credit cards for all of their gift purchases. Just 54% of consumers went the credit card route in 2020 and paid off the added debt in 2.2 months, on average, while 28% paid off the added debt by the next statement period. Twenty-nine percent of consumers who paid for holiday gifts with credit cards in 2020 still had that added debt heading into the 2021 holiday season, however.

FIGURE 1:

Shoppers' payment preferences

Most important payment method for shopping online during the holidays, by year



Source: PYMNTS | Kount
The 2021 Holiday Shopping Outlook:
Why Convenience And Personalization Will be Key

■ 2020
■ 2021

31%
Share of bridge millennials who would be more interested in shopping at physical stores if they offered BNPL options






BNPL is becoming a more mainstream payment option, and 42% of consumers **planned** to use BNPL for some portion of their 2021 holiday spending. Merchants that offer BNPL options could see customers that are more willing to spend: If BNPL options were available, 32% of consumers would spend up to \$99 more and 26% would spend up to \$200 more. Forty-six percent of consumers said that they would have to spend **less** this holiday season if they could not access BNPL, indicating how such options make a significant difference in consumers' willingness to spend.

BNPL also appears to have replaced layaway as an installment payment preference among consumers, 75% of whom said they see no reason for layaway services if BNPL is available. The change from layaway to BNPL shifts consumers from paying ahead for something they receive in the future to paying in the future for something they receive immediately. Major retailers such as Amazon and Walmart have **pushed** their BNPL options, and Affirm, which provides BNPL services for both companies, has an estimated 12,000 merchants with which it works. Much like the layaway option it replaces, consumers perceive BNPL as lower risk than traditional credit methods. The option is also attractive to younger consumers who may not be able to secure much traditional credit. BNPL's availability is also a selling point for some consumers, with 31% of bridge millennials **reporting** that they would be more interested in shopping at physical stores that have BNPL options.



TABLE 1:
Consumer preferences for their shopping experiences

Share who say select features would encourage them to shop at physical stores, by generation

	Average	 Generation Z	 Millennials	 Bridge millennials	 Generation X	 Baby boomers and seniors
Buy online, pickup in store	43.6%	52.1%	44.1%	45.8%	45.6%	39.2%
Buy online with curbside pickup	41.6%	39.8%	42.5%	42.5%	46.2%	38.2%
Contactless cards	34.1%	38.0%	32.9%	33.5%	38.5%	30.6%
Digital wallet for online checkout	32.0%	42.6%	39.4%	40.4%	38.2%	18.2%
Digital wallets that can be used at contactless point-of-sale terminals	25.3%	25.3%	31.0%	30.8%	29.9%	17.5%
Merchant app for online checkout to pay for purchases made in the store	22.8%	27.8%	27.7%	29.4%	26.3%	14.9%
Buy now, pay later options	21.7%	22.6%	29.3%	30.8%	25.3%	13.0%
Card on file	20.2%	19.5%	23.9%	24.1%	19.2%	18.2%
QR codes for checkout	18.4%	24.6%	21.9%	21.0%	22.8%	10.5%
Other	1.5%	0.4%	0.5%	0.8%	1.9%	2.2%
None	18.7%	8.4%	8.5%	8.3%	17.8%	30.7%

Source: PYMNTS.com

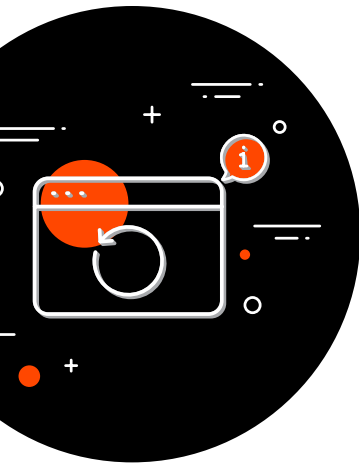
MANAGING BNPL ACCOUNTS AND PAYMENTS

One of the biggest challenges BNPL users identified is the ability to track all their different payments with various providers: 58% of consumers were **uncertain** how much they owed, while 46% found it difficult to keep track of their BNPL accounts. Even millennials, who are among the younger consumers who favor BNPL options, face these struggles. Seventy-eight percent of millennials could not readily estimate how much they owed without checking each of their accounts. One solution to this issue could be an app or website that helps users track their BNPL accounts and payments under one interface. Eighty percent of consumers would welcome such a service, and 82% would also like to make payments to all of their

BNPL accounts via this type of solution. Keeping track of BNPL payments and paying in a timely manner is every bit as important as avoiding carrying a balance on a credit card.

BNPL's growth could mean greater profits for businesses over the holiday season, as it allows consumers who could not otherwise access credit to make larger purchases. BNPL may also provide those consumers with a more manageable credit option through scheduled payments. Spending during the 2021 holiday season will also be affected by unique factors related to the 2020 economic downturn as well as by pandemic restrictions that kept individuals away from their loved ones last year. As a result, it may be difficult to predict how much insight the trends of the 2021 holiday season give into consumers' future BNPL use.





NEWS & TRENDS

BNPL'S RISE DURING THE HOLIDAYS

MORE THAN ONE IN FIVE US ADULTS EXPECTED TO USE BNPL PLANS DURING THE HOLIDAYS

BNPL is expected to factor significantly into consumers' holiday spending, with 21% of adults **planning** to use the method to make purchases. The option is most popular among millennials and consumers who make more than \$100,000 annually, with 38% and 32% of these groups, respectively, planning to use BNPL for their holiday purchases. Meanwhile, 24% of Gen X consumers, 21% of Gen Z consumers and 8% of baby boomers planned to use the method.

Interest in BNPL methods is steadily rising, with 30% of consumers already **using** them

and another 10% willing to consider doing so in the future. Providers such as Affirm, Afterpay, Klarna and PayPal Pay in 4 offer consumers typically interest-free installment payments as an alternative to credit-based purchases, with the requirement that the payments be made on time with no balances carried over. Businesses can also encourage a significant boost in spending by offering these options, as 30% of BNPL users report purchasing more than they would have without access to BNPL options.



AFTERPAY RECORDS 34% INCREASE ON BLACK FRIDAY AND CYBER MONDAY

Early holiday shopping results supported the assertion that more consumers are turning to BNPL, especially for gift purchases. BNPL firm Afterpay recently **released** consumer shopping data for Black Friday and Cyber Monday that showed that the company handled 34% more transactions this year compared to 2020, including for in-store and online purchases. This spike jibes with Afterpay's 30% year-over-year increase in online usage. Cyber Monday merchants working with Afterpay experienced an 8% increase in the size of the purchases users made, and BNPL-based spending as a whole has risen 230% over the past year, according to one **report**.

The top five spending categories for Afterpay users were fashion, footwear, beauty, homeware and fitness. The company observed a 26% year-over-year boost in user spending on fashion in 2021 and a 46% jump in spending on fitness products. Users' purchases of homeware items such as coffee makers and candles increased 22% during this time frame and beauty item purchases rose 5%.





CREDIT CARD-AVERSE SHOPPERS INCREASINGLY CHOOSE BNPL METHODS

The growth in online shopping during the pandemic has also fueled increased interest in BNPL, in part due to the method's roots as an online-native payment option. Many shoppers have **shown** particularly significant interest in BNPL as an alternative to running up credit card debt and even as a way to get out it. Thirty-nine percent chose BNPL to avoid credit card interest, 25% tapped the method to borrow without a credit check and 16% used it because they do not like credit cards.

The BNPL space is expected to observe a global transaction volume of \$680 billion in 2025, driven by the pandemic and an overall increase in interest. This indicates that shoppers will continue to turn to installment payments as they become more familiar with the benefits they offer and look for ways to manage their finances as the global health crisis continues.

BNPL DEVELOPMENTS WORLDWIDE

CHINA EMERGING AS HOTSPOT FOR BNPL DEVELOPMENTS IN ASIA

BNPL is also seeing record growth in markets across Asia, most notably in China. Recent **findings** show that installment payments within the nation are poised to grow by more than 51% annually, and they could total \$82.8 billion by the end of the year. Research revealed that the prominence of FinTechs and comprehensive apps such as Alipay and WeChat have been instrumental in driving BNPL's expansion in China, and the country's wealth of eCommerce markets and digital shopping channels are also bringing more of its consumers into contact with installment payment plans. Millennials appear particularly eager to adopt these plans, with many looking for financing to purchase luxury goods and high-tech gadgets.

China's installment payment space is still nascent, but trends suggest exceptional growth in the years ahead. Many financial technology giants like Alibaba and Tencent are already well-established and will likely occupy dominant roles in the space, however. This means that there could be few opportunities for international players make a splash in the market, though those that manage to do so could be well-rewarded for their efforts.

PORSCHE, JAGUAR PUMP \$12 MILLION IN FUNDING INTO BNPL CAR REPAIR FIRM BUMPER

BNPL providers are making inroads in numerous industries, including the automotive space. United Kingdom-based startup Bumper, a BNPL car repair company, recently **secured** \$12 million in a Series A funding round led by Autotech Ventures and backed by Jaguar Land Rover's InMotion Ventures and Porsche Ventures. Bumper plans to use the funds to expand into new markets, including Germany, the Netherlands and Spain within the next year, and it also intends to add employees and bolster its marketing efforts. The company noted that it will launch an app in January to allow users to pay for services like parking and tolls in addition to approving and paying for vehicle repairs.

BUY NOW PAY LATER TRACKER®

PYMNTS.com

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.

DISCLAIMER ■

Buy Now, Pay Later Tracker® may be updated periodically. While reasonable efforts are made to keep the content accurate and up to date, PYMNTS.COM: MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, REGARDING THE CORRECTNESS, ACCURACY, COMPLETENESS, ADEQUACY, OR RELIABILITY OF OR THE USE OF OR RESULTS THAT MAY BE GENERATED FROM THE USE OF THE INFORMATION OR THAT THE CONTENT WILL SATISFY YOUR REQUIREMENTS OR EXPECTATIONS. THE CONTENT IS PROVIDED “AS IS” AND ON AN “AS AVAILABLE” BASIS. YOU EXPRESSLY AGREE THAT YOUR USE OF THE CONTENT IS AT YOUR SOLE RISK. PYMNTS.COM SHALL HAVE NO LIABILITY FOR ANY INTERRUPTIONS IN THE CONTENT THAT IS PROVIDED AND DISCLAIMS ALL WARRANTIES WITH REGARD TO THE CONTENT, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT AND TITLE. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OF CERTAIN WARRANTIES, AND, IN SUCH CASES, THE STATED EXCLUSIONS DO NOT APPLY. PYMNTS.COM RESERVES THE RIGHT AND SHOULD NOT BE LIABLE SHOULD IT EXERCISE ITS RIGHT TO MODIFY, INTERRUPT, OR DISCONTINUE THE AVAILABILITY OF THE CONTENT OR ANY COMPONENT OF IT WITH OR WITHOUT NOTICE.

PYMNTS.COM SHALL NOT BE LIABLE FOR ANY DAMAGES WHATSOEVER, AND, IN PARTICULAR, SHALL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, OR INCIDENTAL DAMAGES, OR DAMAGES FOR LOST PROFITS, LOSS OF REVENUE, OR LOSS OF USE, ARISING OUT OF OR RELATED TO THE CONTENT, WHETHER SUCH DAMAGES ARISE IN CONTRACT, NEGLIGENCE, TORT, UNDER STATUTE, IN EQUITY, AT LAW, OR OTHERWISE, EVEN IF PYMNTS.COM HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

SOME JURISDICTIONS DO NOT ALLOW FOR THE LIMITATION OR EXCLUSION OF LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES, AND IN SUCH CASES SOME OF THE ABOVE LIMITATIONS DO NOT APPLY. THE ABOVE DISCLAIMERS AND LIMITATIONS ARE PROVIDED BY PYMNTS.COM AND ITS PARENTS, AFFILIATED AND RELATED COMPANIES, CONTRACTORS, AND SPONSORS, AND EACH OF ITS RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, EMPLOYEES, AGENTS, CONTENT COMPONENT PROVIDERS, LICENSORS, AND ADVISERS.

Components of the content original to and the compilation produced by PYMNTS.COM is the property of PYMNTS.COM and cannot be reproduced without its prior written permission.

Buy now, pay later Tracker® is a registered trademark of What’s Next Media & Analytics, LLC (“PYMNTS.com”)

We are interested in your feedback on this report. If you have questions or comments, or if you would like to subscribe to this report, please email us at feedback@pymnts.com.