

**Banking On Buy Now, Pay Later:
Installment Payments And FIs' Untapped
Opportunity**, a PYMNTS and Amount
collaboration, evaluates consumers' BNPL
usage and their interest in accessing bank-
backed BNPL plans. PYMNTS surveyed 2,237
U.S. consumers between Nov. 5 and Nov.
10, 2021, about the features they want from
BNPL providers.

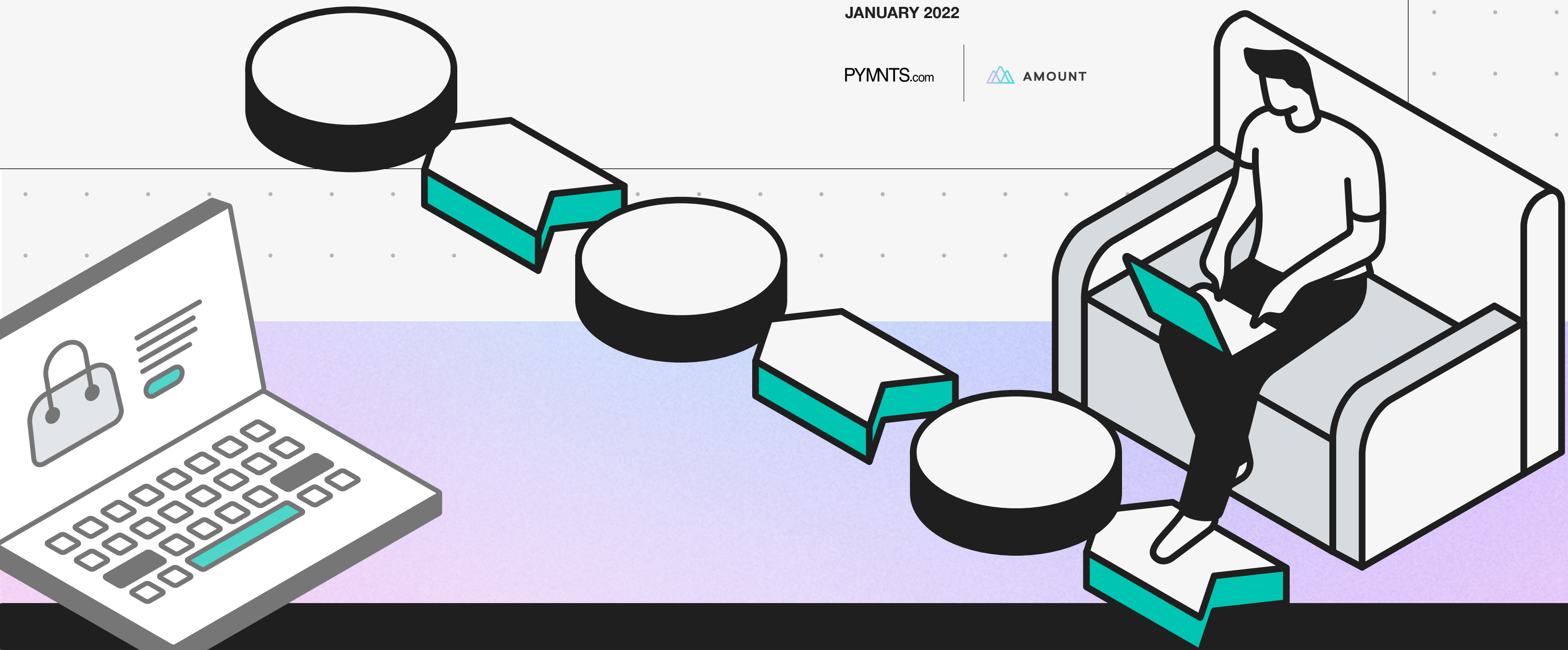
BANKING ON BUY NOW, PAY LATER

Installment Payments
And FIs' Untapped Opportunity

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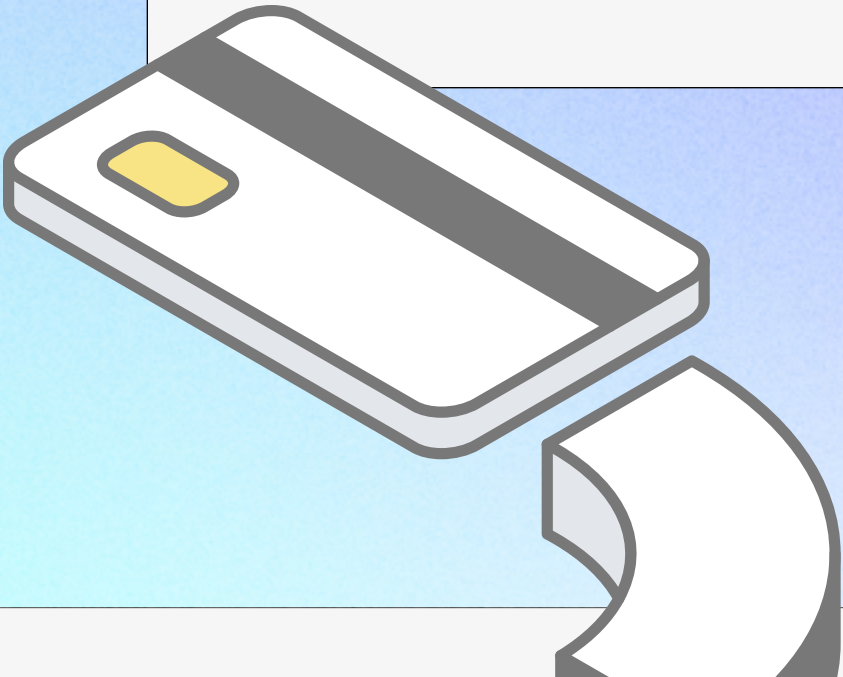
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Banking On Buy Now, Pay Later: Installment Payments And FIs' Untapped Opportunity was produced in collaboration with Amount, and PYMNTS is grateful for the company’s support and insight. **PYMNTS.com** retains full editorial control over the following findings, methodology and data analysis.

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INTRODUCTION

70%

OF CURRENT BNPL USERS SAY THEY WOULD BE **INTERESTED** IN USING BNPL PRODUCTS **FROM THEIR BANKS** IF SUCH OFFERINGS WERE AVAILABLE



The year 2021 proved to be a watershed for the buy now, pay later (BNPL) market, with usage more than doubling by the end of the year.¹ BNPL plans still are nascent compared to traditional payments methods such as credit and debit cards, but BNPL use is poised to climb significantly over the course of the next 12 months. PYMNTS' research shows that more than half of consumers are interested in using BNPL in 2022, and, if they act on that interest, the increase in usage could put 2021's growth to shame.

Still, much depends on banks and their willingness to meet consumers' appetite for BNPL head-on. Our research shows that most consumers want access to BNPL plans offered by banks — financial institutions (FIs) they have long known and trusted. They also want access to products that offer flexible payment schedules and the ability to switch among various payment methods, regardless of whether they are checking out online or in a physical store.

Offering BNPL plans could help banks win over not only consumers who are interested in using flexible payments but also those who already use BNPL plans. Of current BNPL users, 70% say they would

be interested in using BNPL products from their banks if such offerings were available. This interest is considerable among all age groups, income levels and financial lifestyles PYMNTS tracked.

These are just some of the findings in Banking On Buy Now, Pay Later: Installment Payments And FIs' Untapped Opportunity, a PYMNTS and Amount collaboration. The report is based on a survey of 2,237 U.S. consumers conducted between Nov. 5 and Nov. 10, 2021. We assessed consumers' BNPL usage and their interest in accessing bank-backed BNPL plans.

This is what we learned.

¹ No Slowdown in Sight for Surging BNPL as Consumers Want it, Retailers Need It. PYMNTS.com. January 2022. <https://www.pymnts.com/news/retail/2022/no-slowdown-in-sight-for-surging-bnpl-as-consumers-want-it-retailers-need-it/>. Accessed January 2022.

50 MILLION CONSUMERS HAVE USED BNPL OVER THE LAST 12 MONTHS

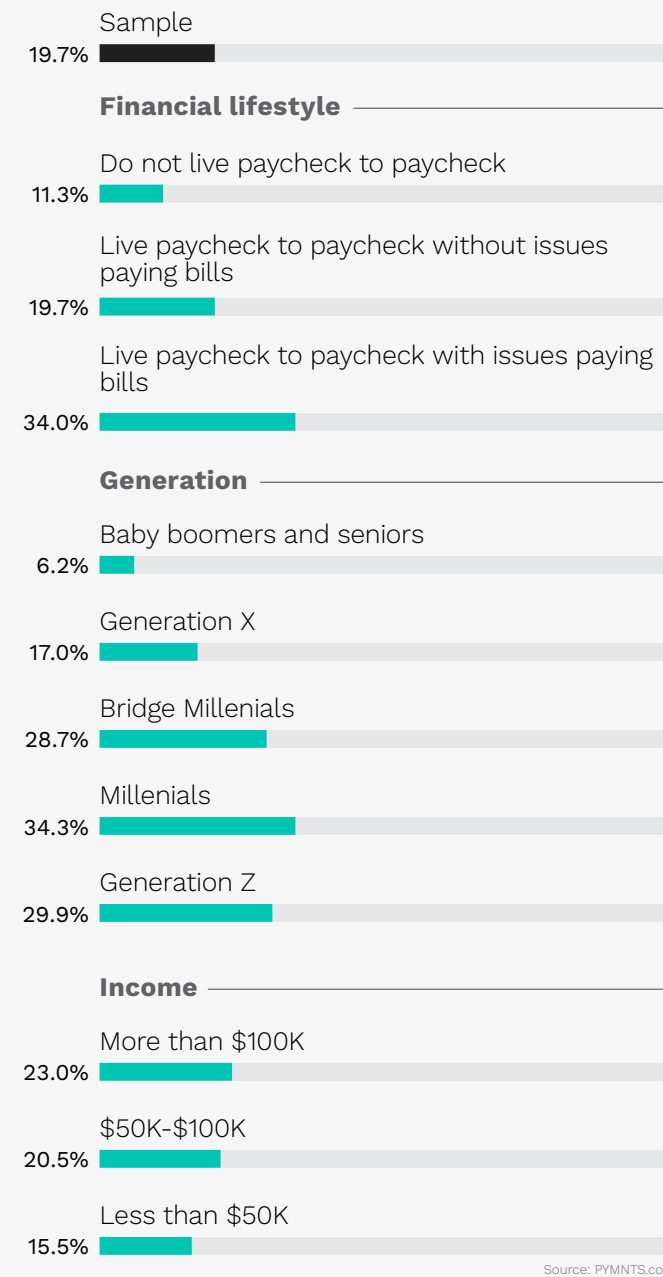
36% of consumers **not currently using BNPL** would be interested in using a bank-issued BNPL product

BNPL plans are quickly changing how consumers today pay for products and services. PYMNTS' research shows that 20% of U.S. consumers made purchases using BNPL in the last year alone, and 52% are interested in doing so over the next 12 months.

FIGURE 1:

BNPL usage and interest among consumers

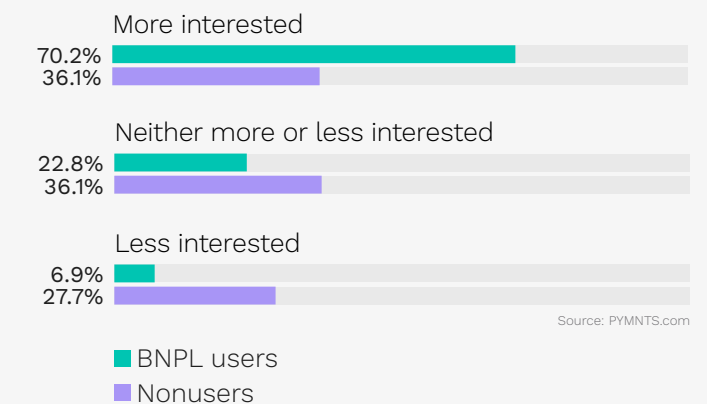
1A: Share of BNPL users among consumers, by financial lifestyle, age group and income



Of today's BNPL users, the bulk use the flexible payment plan options FinTechs offer, but there is significant interest in using bank-backed BNPL plans instead. Our research shows that 70% of consumers who currently use BNPL are interested in payment plan options from banks over those FinTechs offer.

Interest in using bank-backed BNPL is high not only among those who already use such plans but also among those who do not currently use them, with 36% of the latter citing their interest. Just 7% of consumers who use BNPL say they are less interested in a product from a bank compared to one another FI offers.

1B: BNPL user and nonuser interest in bank-backed BNPL products versus nonbank BNPL products



MORE THAN THREE-QUARTERS OF CONSUMERS WHO USE BNPL FROM THE TOP THREE BNPL PROVIDERS ARE INTERESTED IN SWITCHING TO BANK-ISSUED BNPL PLANS

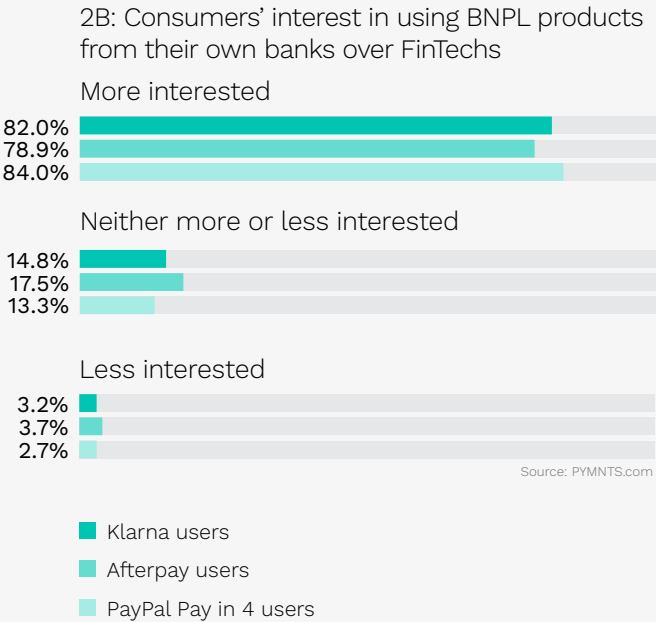
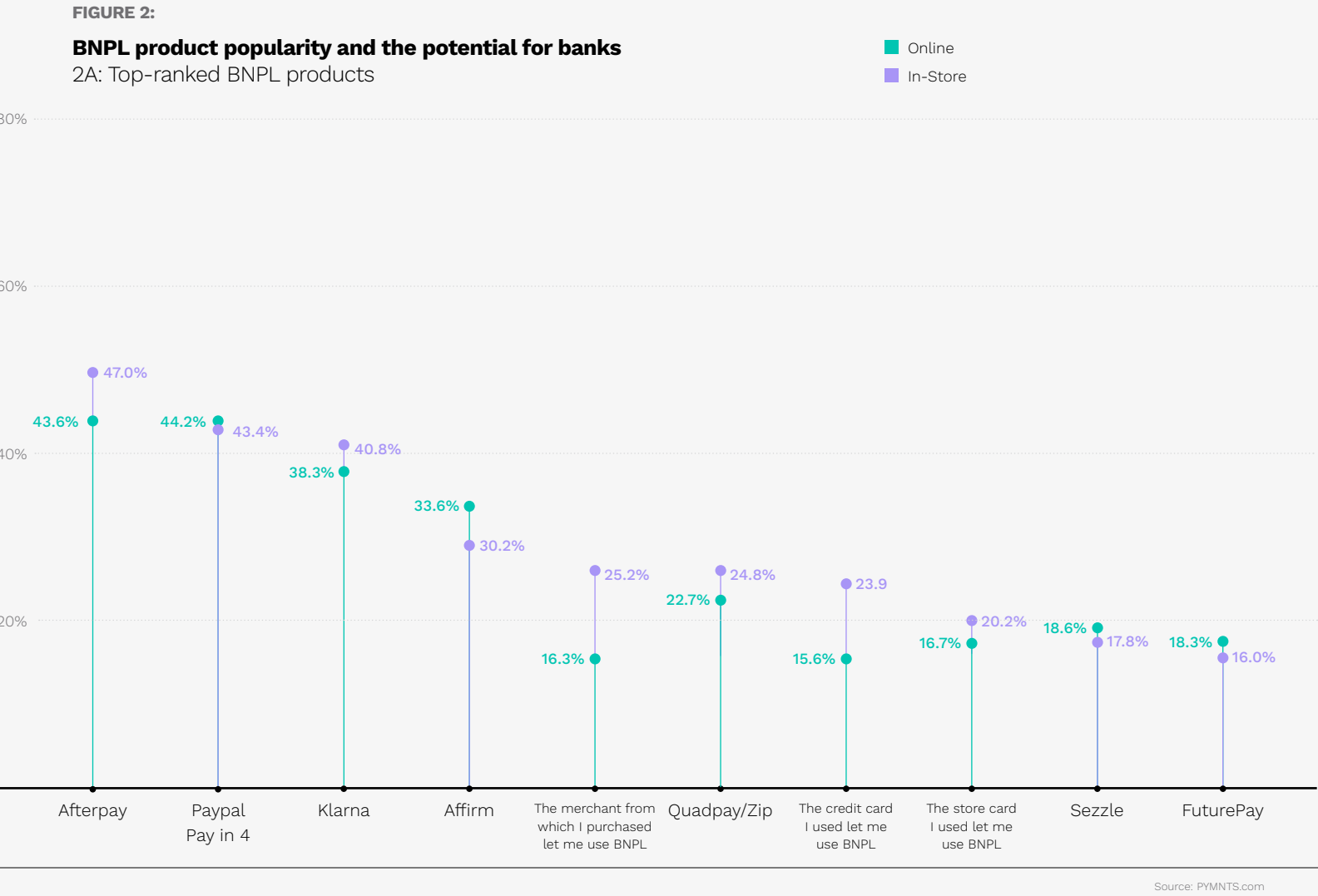
Overall, 43% of consumers are interested in switching to a **bank-issued BNPL plan**

Today's consumers seemingly have a variety of BNPL plan options at their fingertips, whether they are shopping online or in physical stores. PYMNTS found that Afterpay is the most frequently used BNPL plan, used by 44% of consumers shopping online and 47% of those shopping in-store. PayPal's Pay in 4 came in a close second (44% of online shoppers and 43% of in-store shoppers), followed by Klarna (38% online, 41% in-store) and Affirm (34% online, 30% in-store).

Some BNPL providers are more popular than others, but consumers are not necessarily tied to the idea of using a single payment method for all their purchases. Debit cards, for example, are popular for in-store purchases, while credit cards are more commonly used for online transactions.

Our research also shows that, even though today's consumers largely use FinTechs' products, they are willing to switch to bank-backed options if they

become available. Seventy-nine percent of Afterpay's users, 84% of PayPal Pay in 4 users and 82% of Klarna users would be more interested in a bank-issued BNPL product. Overall, 43% of consumers would be interested in using BNPL plans from their own banks instead of those other FIs offer. Banks thus stand to gain significant market share as long as their BNPL products offer consumers easy, convenient and secure payment experiences.



45%

OF CONSUMERS WHO
**LIVE PAYCHECK TO
PAYCHECK** AND HAVE
NO TROUBLE PAYING
THEIR BILLS SAY
THEY **WOULD BE
INTERESTED** IN USING
A BANK-BACKED BNPL
PRODUCT.

CONSUMER INTEREST IN BANK-ISSUED BNPL PLANS IS STRONGEST AMONG HIGH EARNERS AND THOSE LIVING PAYCHECK TO PAYCHECK

47% of people making more than **\$100,000 per year** say they would be interested in using a BNPL product from a bank

Consumers who are earning more than \$100,000 annually show the most interest in bank-issued BNPL plans of any income level, at 47%. Interest also is high among consumers at other income levels, which demonstrates the widespread appeal of these products. Forty-two percent of consumers with annual incomes of \$50,000 to \$100,000 and 39% of consumers earning less than \$50,000 also are interested in bank-backed BNPL.

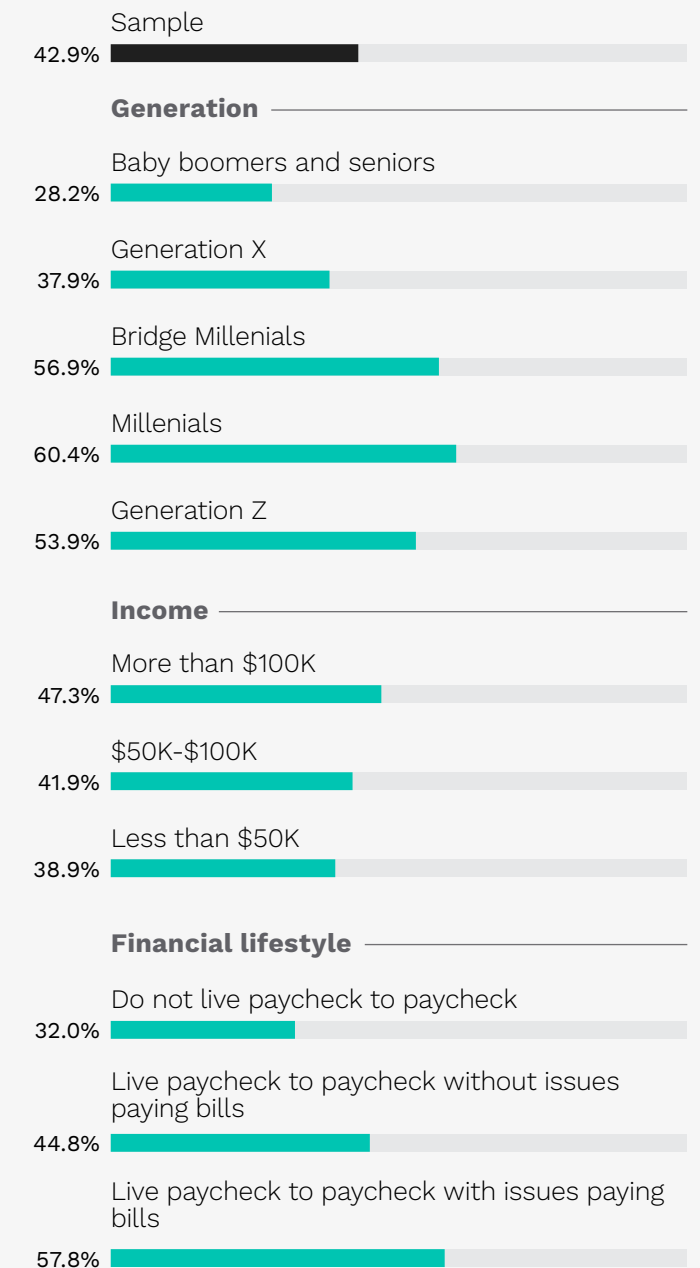
Interest in bank-issued BNPL plans also is high among younger generations: 60% of millennials, 57% of bridge millennials and 54% of Generation Z consumers say they are interested in using bank-issued BNPL plans.

In addition, there is fairly strong interest in bank-issued BNPL plans across the three categories of financial lifestyles tracked in the survey. Consumers who live paycheck to paycheck but have issues paying their bills expressed the most interest, at 58%. Forty-five percent of consumers who live paycheck to paycheck but are able to pay their bills without difficulty are interested, and 32% of consumers who do not live paycheck to paycheck are interested.

FIGURE 3:

Consumers' interest in bank-issued BNPL plans

Interest in using BNPL, by financial lifestyle, age group and income



Source: PYMNTS.com

53% OF CONSUMERS SAY **TRUST** IS THE MOST IMPORTANT FACTOR WHEN CHOOSING A LENDER FOR A **SHORT-TERM CREDIT PRODUCT**

Consumers who currently use **short-term credit** value the ability to spread payments out over time

Banks have an edge over other FinTechs when it comes to developing and sustaining consumers' trust, with more than half of consumers citing trust in credit providers as a key factor influencing their interest in bank-issued BNPL products. Other key factors that influence consumers' decisions are related to their need to better control their finances: 50% of consumers who use short-term credit say the ability to spread their payments over time is important when selecting a short-term credit product, and 49% percent report ease and convenience as important factors. Banks can offer these other factors more easily, adding weight to consumer preference for bank-issued products.

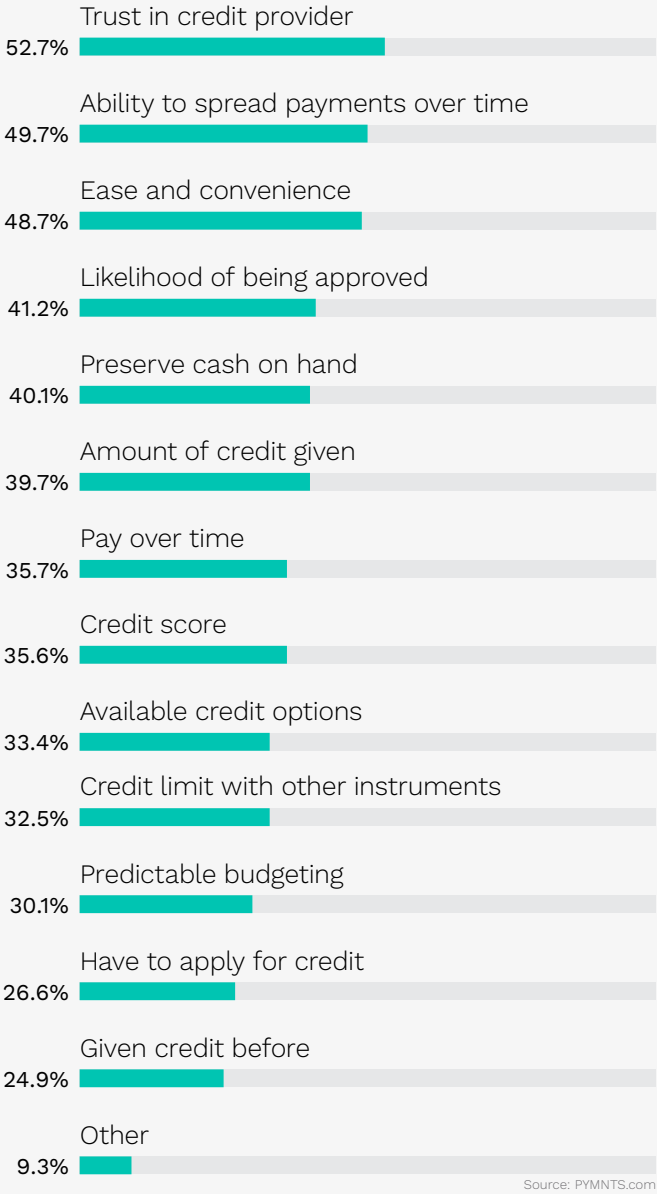
Consumers who plan to use BNPL products also want to trust their credit provider: 12% cite it as the most important factor in selecting a credit product, and 20% cite it as a factor. Consumers also value the ability to spread payments over time and the ease and convenience of using the product. All are factors that make bank-backed products more appealing.

Being able to spread payments out over time is the most important reason why current BNPL users to choose this payment method: 18% say the ability to spread payments over time is their "most important" consideration, and 24% label it as important. Ease and convenience is the second-most important feature.

50%

OF CONSUMERS
CONSIDER THE **ABILITY
TO SPREAD PAYMENTS
OVER TIME** AN
IMPORTANT FACTOR
WHEN DECIDING
WHICH SHORT-TERM
CREDIT OPTIONS TO USE

FIGURE 4:
Factors influencing consumers' affinity for BNPL providers
Share of consumers who cite these factors as important when deciding to use short-term credit options



Source: PYMNTS.com

TABLE 1:
Factors influencing consumers' affinity for BNPL providers
Important factors when consumers decide to use BNPL products

	Total	Most important reason	Checked, but not ranked first
• Ability to spread payments over time	41.9%	17.7%	24.2%
• Ease and convenience	33.1%	8.5%	24.6%
• Trust in credit provider	31.5%	11.8%	19.7%
• Likelihood of being approved	31.2%	7.5%	23.8%
• Pay over time	27.4%	8.4%	18.9%
• Preserve cash on hand	25.5%	6.9%	18.6%
• Amount of credit given	25.3%	6.9%	18.4%
• Credit score	23.2%	5.2%	18.0%
• Available credit option	21.4%	4.6%	16.8%
• Have to apply for credit	21.3%	5.4%	15.8%
• Credit limit	20.5%	5.9%	14.6%
• Predictable budgeting	18.7%	5.8%	12.9%
• Given credit before	16.1%	4.7%	11.4%
• Other	0.7%	0.7	0.0

Source: PYMNTS.com

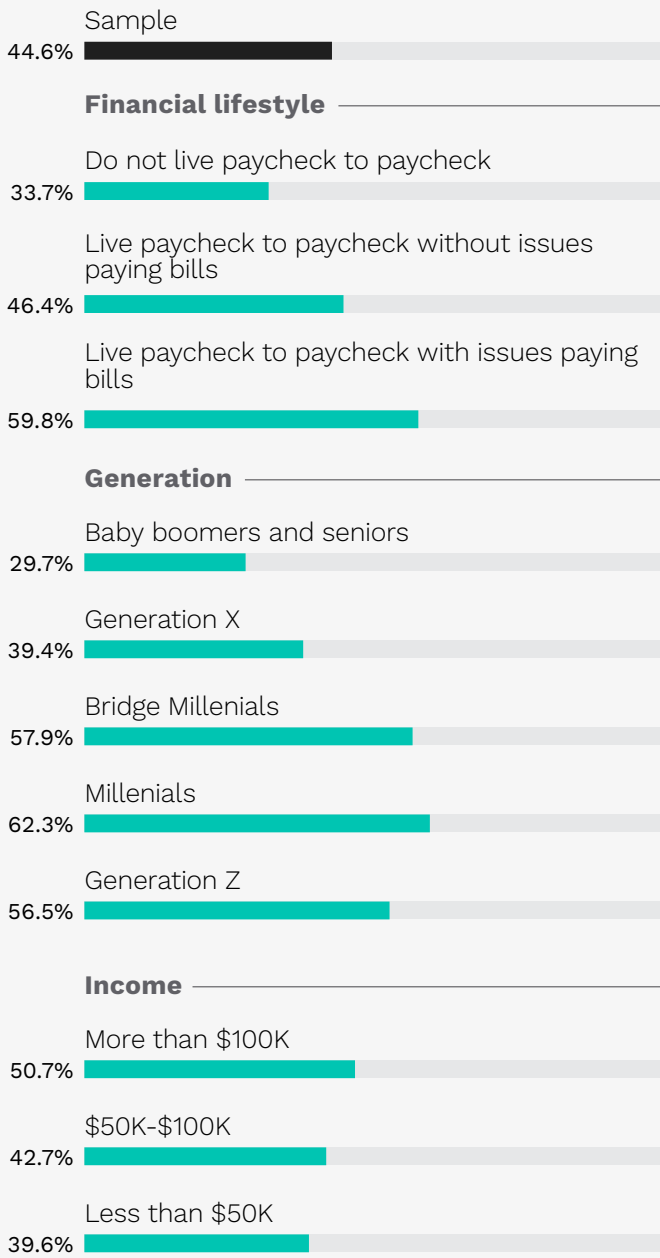
45% OF CONSUMERS WANT A BANK-ISSUED CARD THAT PERMITS THEM TO SWITCH AMONG PAYMENT METHODS

Interest is especially **high** among millennials and bridge millennials

Consumers want to be able to pay for their purchases using a bank-issued option that allows them to seamlessly switch among their preferred payment methods. This is especially true for millennials, 62% of whom are interested in such an option. Interest also is high among bridge millennials and Gen Z consumers, more than half of whom show interest in bank-issued cards that give them added flexibility.

Sixty percent of consumers who live paycheck to paycheck and have trouble paying their bills are interested in this type of payment product, as are 46% of consumers who live paycheck to paycheck and have no issues paying bills. A smaller — but still significant — share of consumers who do not live paycheck to paycheck are interested in seeing this type of flexibility from a payments product.

FIGURE 5:
Share of consumers who would be interested in bank-issued cards that permit switching among credit products
Interest by financial lifestyle, generation and income



Source: PYMNTS.com

CONCLUSION

Banks have long waited on the sidelines while FinTechs have continued to meet consumers’ growing appetite for flexible payment offerings. Banks still have significant potential to disrupt the BNPL market, however, as consumers put more trust in the products and services their banks offer compared to those FinTechs provide. Banks looking to do so will have to demonstrate their ability to meet consumers’ expectations for reliable, safe and easy-to-use payment methods. Those that move quickly and make a clear impression on consumers will see the most success.

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METHODOLOGY

Banking On Buy Now, Pay Later: Installment Payments And FIs' Untapped Opportunity, a PYMNTS and Amount collaboration, examines consumers’ readiness to use BNPL products and services. We surveyed 2,237 U.S. consumers from Nov. 5 to Nov. 10, 2021, about their BNPL usage with existing providers. We also sought information about their interest in BNPL products and services from banks, which, until recently, have not had a large presence in the market.

ABOUT

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 **AMOUNT** [Amount](#) empowers financial institutions to create and enhance digital customer experiences with a full suite of end-to-end omnichannel retail banking and BNPL solutions. Developed by lending industry experts, Amount’s fully integrated and flexible platform is underpinned by enterprise bank-grade infrastructure and compliance, enabling banks to securely power new and differentiated offerings within months — not years.

With Amount, banks can optimize performance across product categories while tapping into various service offerings, including customer acquisition, funnel and performance assessments and risk analytics. Amount clients include financial institutions collectively managing nearly \$2T in U.S. assets and servicing more than 50 million U.S. customers.

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

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