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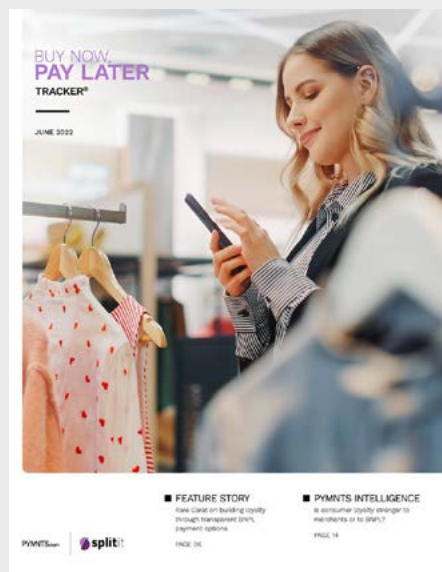
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ACKNOWLEDGMENT

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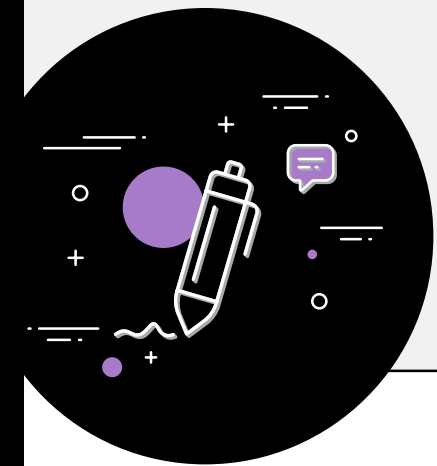
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EDITOR'S LETTER

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Buy now, pay later (BNPL) services are becoming popular in Australia, the United Kingdom, the United States and other countries around the world. There are now dozens of different BNPL services on offer, but they largely work in a similar fashion, with consumers funding their purchases in several increments rather than paying in full at the point of sale. Forty-three percent of Americans have **used** it, up from 31% last year, and 34% of BNPL users **say** they would not have gone through with purchases if these financing options were not available. This improved conversion rate has made BNPL popular among merchants as well.

BNPL usage varies significantly across different age groups, however. PYMNTS' **research** found that 70% of millennials, 66% of bridge millennials and 65% of Generation Z consumers reported high interest in using BNPL at luxury and specialty retailers, but less than half of Generation X and less than one-quarter of baby boomers and seniors said the same. A number of reasons contribute to this discrepancy, including younger consumers' reduced spending power and lack of other credit options.

Nevertheless, older and higher-income demographics are some of the fastest-growing users of BNPL. Seventy-one percent of BNPL users with annual incomes greater than \$100,000 **increased** their usage of BNPL over the past year, outstripping the rates for all lower income brackets. Although younger generations' interest in BNPL generally surpasses that of their elders, bridge millennials — slightly older millennials — showed the highest increase in BNPL usage last year at 77%, exceeding that of their younger peers. Bridge millennials will be a generation to watch in their use of BNPL as they enter their prime earning years and their obligations — and expenditures — grow.

BNPL services appeal to older, more affluent demographics on a number of levels. Forty-three percent of financially “worry-free” individuals **say** that BNPL programs help them improve their credit scores, and 40% are drawn to BNPL's lower interest rates compared to traditional credit options. Another 55% say that BNPL is much easier to use than other financing options.

This edition of the Buy Now, Pay Later Tracker®, a PYMNTS and Splitit collaboration, examines how and why different demographics are using BNPL. It also explores how FinTechs and BNPL providers can lean into BNPL's inherent advantages to appeal to older and higher-income consumers.

Thought Leadership Team
PYMNTS.com

■ Feature Story

Sleepenvie On Why BNPL's Future Rests With Older Customers

BNPL HAS BLAZED THROUGH THE PAYMENTS SPACE IN JUST THE PAST COUPLE OF YEARS, RISING FROM A LITTLE-KNOWN NOVELTY TO A WIDELY USED SERVICE AMONG ALL TYPES OF CONSUMERS.

A recent [study](#) found that 60% of Americans had leveraged BNPL at some point, with 46% currently in the process of making payments through a BNPL service.

BNPL has traditionally been the domain of younger generations with limited spending power, who typically use these services to punch above their weight when making expensive purchases. BNPL's popularity has recently begun to grow among older, more economically secure demographics, who use it not out of necessity but because of the added convenience it offers.

"It's like the new credit card, but it's obviously better because you're not paying interest," according to Joy Elena, founder of online mattress retailer [Sleepenvie](#). "And when you see the smaller payments, it psychologically makes purchases more enticing, which may actually lead you to buy more."

Elena recently offered PYMNTS an inside look at Sleepenvie's use of BNPL and why she believes older generations are the future of the service.

PRIMARY BNPL DEMOGRAPHICS

Sleepenvie has found that its largest BNPL-using segment consists of younger individuals who are moving into new apartments and need mattresses and

other sleep essentials. BNPL is a natural fit for purchasing these mandatory items that nonetheless command a high price.

"Our demographic is a younger demographic, many of whom are just starting out," Elena explained. "Not a lot of people have \$1,000 lying around, or even more than that because you're [often] buying other things and not just the mattress. [BNPL] allows the consumer to have more buying power."

BNPL has proved to be incredibly well-received, not just by customers but also by the business. A large number of patrons leverage this option, Elena said, and ticket prices have gone up significantly.

"I would say it's about a 20% increase in sales since we started, and I would say it's about one in five [customers] who use the option," she said.

The next step for Sleepenvie is expanding BNPL usage to demographics that traditionally have not used it before. In particular, the company has its eye on older generations with larger spending power.

EXPANDING BNPL USAGE TO NEW CUSTOMERS

While younger customers with lower incomes currently comprise Sleepenvie’s largest BNPL userbase, the company is looking to encourage its usage among older, more affluent demographics. The primary draw for these consumers is not necessarily the better affordability of big-ticket items such as mattresses but rather the added convenience of breaking up large payments online rather than going through traditional financing options.

“The whole point of being online is to make it as easy for the customer as possible,” said Elena. “If you’re online [buying a mattress] you can’t touch or feel, you want everything to go smoothly. You want it to be easy. So if an older person sees that they don’t have to pay it all in one shot, I think that would be very enticing to them as well.”

BNPL is a logical choice for these nontraditional users, given that convenience is the primary attraction of eCommerce to begin with. These solutions interface through normal payment card portals rather than going through an additional financing application step.

“From our customers’ point of view, I hope it gets easier to go through the buying journey when you’re on the website,” said Elena. “I hope that [BNPL] makes it easier for them to get approved for financing.”

Sleepenvie is one of many retailers hoping to expand their BNPL reach to new demographics. This growth into new markets will be essential for keeping BNPL in the mainstream and ensuring its successful future.





Q&A

GEORGE DANFORTH
Head of Payment Operations



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How are different generations and income groups using BNPL? Do they have different motivations and goals in their use of these options?

The early upsurge in BNPL has been driven primarily by servicing younger consumers who earn less and often have limited access to traditional forms of credit. **Statistics** show that almost 75% of BNPL users in the U.S. are Gen Z or millennials. Yet the appeal of installment payments is now spreading to other age and income groups, as Gen X and baby boomers are expected to account for about 30% of all BNPL users by 2025.

The traditional ‘Pay in 4’ BNPL really took off with the digitally native younger generations who gravitated to the service for the convenience of being able to pay over time for smaller purchases — typically under \$200. The appeal of [this] approach is easy to see, as it increases their purchasing power while fitting payments into tighter, often paycheck-to-paycheck budgets. These shoppers found a way to pay for must-haves and more expensive items that they otherwise could not manage from a cash flow standpoint. Shoppers also leverage this flexibility to purchase several items to try at home before returning the unwanted items, without tying up their funds. And others use BNPL to fit impulse purchases into their budgets.

More established consumers who tend to be older with more purchasing power are typically approaching BNPL from a different mindset. They have the financial means to make the smaller purchases. The motivation tends to be more about managing finances or tapping into the accessibility to free or low-cost financing as a way to keep more cash on hand. This segment is more likely to use BNPL to pay for larger purchases — whether necessities like new appliances or more discretionary purchases. Older shoppers also can be a bit more averse to the new ways to pay but will start gravitating toward BNPL more and more as their comfort level with the process and the provider that’s offering it grows.

What are the advantages to BNPL providers and merchants of seeking to appeal to these less typical BNPL demographics?

The high-inflation, recessionary economy makes older, more creditworthy customers very attractive going forward. The quick rise of BNPL with the younger demographics happened when historically low interest rates made access to low-cost credit accessible and subsidized with venture capital and investor money to build a critical mass of consumers. Legacy BNPL providers were able to accept more risk with lending to subprime consumers. Now with rising inflation and higher interest rates, access to cheap capital is drying up for many BNPL providers, and investors are looking for a clearer path to profitability. Lenders are backed into a corner, having to tighten underwriting requirements and avoid greater losses. This means lower approval rates for subprime borrowers, which Experian classifies as having a FICO score between 580 and 669 — likely the majority of consumers using BNPL today.

The key benefit for legacy BNPL providers and retailers is to shift the focus and target the prime market — those with credit scores over 660 — that accounts for 70% of U.S. consumers. This ‘dormant’ segment that underuses BNPL is categorically different from the typical BNPL customers to date. Many in the segment already have access to available credit issued on credit cards, often aggregate spending on a single credit card to earn rewards, tend to spend more and are looking for longer installment plans. They make up a large majority of the market’s purchasing power and are a more durable consumer segment for installments in the long term, regardless of economic conditions.

Q&A

What are some of the advantages of BNPL for older, more affluent and “worry-free” consumers?

“The biggest advantage is the ability to better manage finances by having more liquidity, to avoid locking up their credit lines for expensive purchases. According to the [Economic Well-Being of U.S. Households in 2021](#) survey by the Federal Reserve, 84% of U.S. adults have a credit card and 52% pay off their balance each month. As inflation decimates monthly budgets, more savvy non-revolvers will take advantage of the opportunity to smooth the monthly impact of inflation by spending over time. Using a card-based BNPL option allows these consumers to continue to pay off balances each month by breaking up the larger purchases into smaller, more manageable payments without additional fees or interest.

Another benefit is consolidating purchases on one card. We [found](#) that 60% of consumers would prefer to use BNPL with their existing credit cards as opposed to opening new lines of credit. A significant reason is the added benefits the cards provide — from purchase protection, additional insurance and perks like cash back, points and miles. In fact, 48% say these perks were their main reason for using the cards. Consumers can use their preferred card, pay in installments and free up capital while consolidating their purchases for easier management — all while earning rewards. It’s a win-win.”

How do you see the profile of the typical BNPL user changing in the future?

“We will continue to see the demographics shift over the next few years as inflation and other economic challenges disproportionately impact lower-income, subprime consumers. If we head toward a major recession, you can expect to see BNPL use with younger generations decline while use among older consumers increases. Not because they won’t need or want to spread payments out over time, but because the tighter market means more stringent underwriting and a significant decline in approval rates for the segment.

The good news is that BNPL plans that enable older and more financially secure consumers to use their issued but unutilized credit cards will become broadly available, enabling them to continue to spend and manage their money in ways that they prefer. We are not far off from this untapped source of broad purchasing power becoming the next wave of consumer installments in the marketplace.”

Exploring Varying Uses Of BNPL Options Among Generations And Income Groups

BNPL IS ONE OF THE MOST SIGNIFICANT EMERGING TRENDS IN THE WORLD ECONOMY.

These solutions typically allow customers to put zero dollars down at the point of purchase and instead pay for their merchandise over the course of several installments, made either directly to the seller or through a third-party service. BNPL solutions are the fastest-growing online payment method, not only in the U.S. but also in Australia, Brazil, the U.K. and many other countries, and their market share is **projected** to realize a global transaction value of \$656 billion by 2026.

BNPL's popularity varies significantly by generation, however, with younger consumers such as millennials and Generation Z currently outstripping older cohorts such as Generation X and baby boomers in BNPL usage. A variety of reasons explain this discrepancy, including reduced spending power as well as a general trend away from debt and credit options among younger demographics, but the BNPL opportunity is far from limited to younger customers. Merchants and payment providers are working hard to expand BNPL's reach to older and

higher-income demographics, leveraging the inherent advantages of BNPL systems to present an alternative to traditional credit card and financing options.

This month, PYMNTS Intelligence examines BNPL's growing popularity on the retail scene and why different generations take different approaches to BNPL. It also explores why older and higher-income generations are quickly becoming a significant force in the BNPL space.

BNPL’S GROWING POPULARITY

BNPL has become a cornerstone of the retail world in the U.S., with 43% of Americans now having **used** the method, up from 31% last year. It is particularly attractive to consumers who have less money in their bank accounts, with many saying they prefer it to credit cards when they cannot afford a purchase outright. Forty-seven percent of consumers surveyed said they prefer to use BNPL over cards when their checking accounts do not have enough money to cover a purchase, with this number increasing to 51% among women and 53% among those with less than \$50,000 in annual income.

Retailers have welcomed BNPL’s growth, as the payment method demonstrably drives more sales and higher transaction totals. Approximately 34% of BNPL users in a recent **survey** said they would not have gone through with purchases if BNPL were not available, while PayPal **saw** a 15% rise in average ticket size among retailers that offered the financing option.

BNPL solutions are not equally popular across age groups: Younger generations typically take a rosier view of these services than their older counterparts. Merchants should not discount the BNPL opportunity among older customers, however, particularly those with established credit, as the industry has plenty of room to grow among consumers who currently have lower usage rates.

BNPL’S APPEAL ACROSS GENERATIONS AND INCOME GROUPS

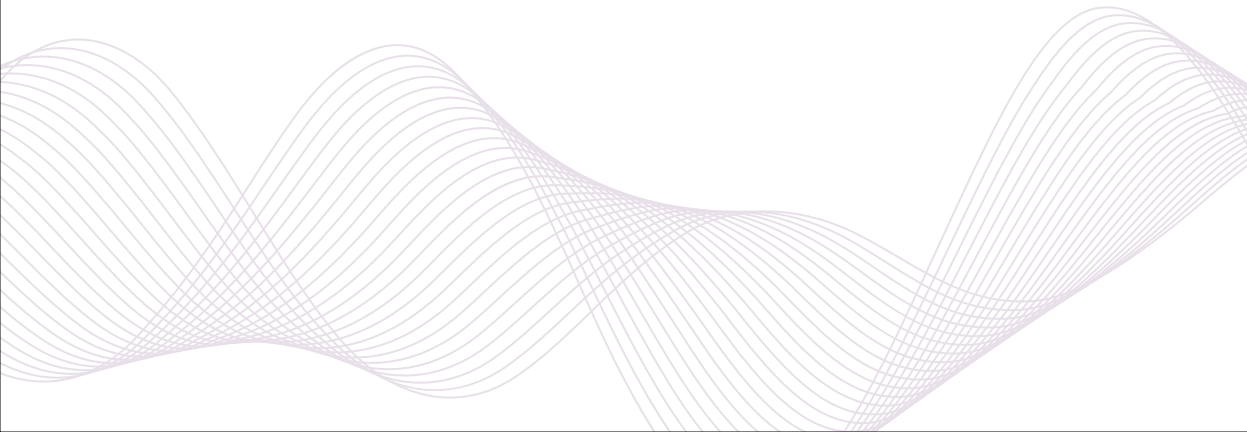
PYMNTS’ **research** found that 70% of millennials, 66% of bridge millennials and 65% of Generation Z consumers reported high interest in using BNPL at luxury and specialty retailers but just half of Generation X and less than one-quarter of baby boomers and seniors said the same. This varied embrace of BNPL solutions is due to several factors, one of the most prevalent being a general unease among younger age groups about the use of traditional credit options. A study of consumers between the ages of 22 and 30 **showed** that 20% of these individuals had poor credit from past payment issues, while 18% lacked the credit history to be approved for a credit card in the first place.

Older generations with higher income levels are expanding their footprint in BNPL usage, however. Seventy-one percent of BNPL users with annual incomes greater than \$100,000 **increased** their use of BNPL over the past year, surpassing both the 68% of users with incomes between \$50,000 and \$100,000 and the 54% of those with incomes less than \$50,000. High-income individuals are also the most likely to show interest in bank-backed BNPL options, with 39% of individuals in the over-\$100,000 income bracket expressing interest as opposed to 35% of those in lower income brackets.

On the age front, the picture is becoming more complex. Although millennials and Generation Z **showed** the second- and third-highest increases in usage of BNPL last year at 75% and 54%, respectively, the top spot went to the slightly older generation of bridge millennials at 77%. Bridge millennials also showed higher interest in using bank-backed BNPL than Generation Z at 48% versus 45%, respectively. Although all three of these younger generations’ interest surpassed that of their elders — Generation X and baby boomers and seniors — bridge millennials’ interest in BNPL will be something to watch in the coming years as they enter their prime earning period and their obligations and expenditures grow.

High-income and older individuals have a variety of reasons for their interest in BNPL options. Forty-three percent of individuals described as financially “worry-free” **say** that BNPL programs help improve their credit scores, and 40% say that BNPL offers lower interest rates than traditional credit options. Another 55% say that BNPL is much more seamless than other financing options, allowing them to spread their purchases effortlessly over multiple payments rather than deal with banks or financing.

The common perception that BNPL use is largely confined to younger, lower-income individuals is only partly true at best, and the BNPL user profile is changing fast. BNPL is likely to become table stakes among all demographics as its advantages become more widely known.





NEWS & TRENDS

BNPL TRENDS

BNPL'S POPULARITY WITH ONLINE SHOPPERS IS GROWING, STUDY FINDS

BNPL options have been around for a while but have hit the mainstream only recently. A [study](#) found that 59% of online shoppers said they were somewhat or very likely to leverage a BNPL option within the next six months, and 15% were open to using it at some point. This stands in stark contrast to the 67% of individuals who said they had not used the method as of November 2021, indicating a rapid increase in the popularity of BNPL services.

Experts attribute this growing popularity to heavy advertising. Forty-three percent of respondents said they had seen BNPL options advertised on social media services such as Facebook, Instagram and TikTok, with 42% seeing options offered at checkout for online retailers. Just 13% of respondents said they were completely unaware of the existence of BNPL options.



YOUNGER CONSUMERS DEMAND BNPL FROM THEIR BANKS, PYMNTS' STUDY FINDS

BNPL is still largely the domain of third-party providers, but banks are slowly getting on the bandwagon as well, due to customer demand. A recent PYMNTS' [study](#) found that 60% of millennials, 57% of bridge millennials and 54% of Generation Z consumers said they would be more interested in a bank-backed BNPL option than in a FinTech's, and banks are listening, as these are the most likely generations to look into BNPL in the first place. PYMNTS' research found that among BNPL users, 77% of bridge millennials, 75% of millennials and 64% of Generation Z users had increased BNPL usage over the past year.

Consumers preferred bank-backed BNPL options for a number of reasons. Thirty-four percent of respondents cited better data security, 32% said that credit approvals are speedier and 32% said it helps build credit scores, a key concern for younger consumers.

BNPL INTEGRATIONS AND PARTNERSHIPS

EVERYWARE ADDS SPLITIT BNPL INSTALLMENTS TO ITS PAY BY TEXT PLATFORM

Everyware, a contactless payment and customer-engagement solutions firm, is partnering with installments-as-a-service provider Splitit to integrate the latter’s services into its Pay by Text platform, according to a recent PYMNTS [article](#). The partnership will allow Everyware to deliver a mobile BNPL service.

Splitit offers integration through a single-point application programming interface, enabling merchants to embed its services into existing purchase flows. Splitit also permits merchants to use its global credit card networks to add services to new countries or regions via a single integration. Any consumer card is automatically prequalified without application fees. The feature promises to simplify mobile usage for Everyware customers, with the companies aiming to target verticals in healthcare, home improvement and nonprofits.

“Everyware has done a tremendous job answering the needs of mobile-first consumers by leading the way toward widespread adoption of Pay by Text,” said Splitit chief revenue officer Colt McCutcheon. “The addition of Splitit’s installments as a service makes mobile payments even more powerful.”



AMAZON INTEGRATES BNPL OPTION FOR EGYPTIAN SHOPPERS

BNPL options are growing more popular overseas as well, and eCommerce giants are climbing aboard to bring these services to their customers. The latest newcomer is Amazon, which recently [introduced](#) a BNPL option for shoppers in Egypt. The option works similarly to other BNPL services, with shoppers having the ability to divide their purchases into several smaller payments that can be paid over an extended period of time. Egypt has seen a surge in BNPL popularity over the past year, thanks to inflation forcing consumers into difficult financial circumstances.

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Splitit powers the next generation of BNPL through its merchant-branded Installments as a Service platform. Splitit is solving the challenges business face with legacy BNPL while unlocking BNPL at the point of sale for card networks, issuers and acquirers all through a single network API.

Splitit’s Installments as a Service platform mitigates issues with legacy BNPL such as the declining conversion funnel, clutter at the checkout and a lack of control of the merchant’s customer experience, while also putting the power back in the hands of merchants to nurture and retain customers, drive conversion and increase average order value. Splitit’s white-label BNPL solution is the easiest installment option for merchants to adopt, integrate and operate while delivering an uncluttered, simplified experience embedded into their existing purchase flows. With no applications, redirects or new loans, Splitit is one of the most responsible installment payment options for customers.

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