

The Truth About BNPL And Store Cards Report details the differences in how consumers perceive and use store cards and BNPL options. The report draws from a survey of a census-balanced panel of 2,161 U.S. consumers conducted between Dec. 10 to Dec. 17, 2021, to determine how many of them shop with merchants that offer store cards and to discover whether they use those cards or other payment methods to make their purchases.

THE TRUTH ABOUT BNPL AND STORE CARDS



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PYMNTS.com |  PayPal

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The Truth About BNPL And Store Cards Report was done in collaboration with PayPal, 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.



Introduction

The buy now, pay later (BNPL) revolution is well underway: 52 million consumers in the United States had used the method to make purchases by December 2021.¹ This meteoric rise has not gone unnoticed by traditional credit issuers. They worry that BNPL represents a potent threat to their market share as they fight to stay top-of-wallet.

While BNPL continues to disrupt the traditional credit market in the U.S. and abroad, one type of credit product appears to be virtually immune to BNPL cannibalization: store cards.² PYMNTS' latest research shows that roughly 59 million U.S. consumers made purchases

from merchants that offered store cards within the past 30 days, and just 8.3% (a projected 4.9 million) of them paid for those purchases using BNPL options.³

This does not mean that consumers lack interest in using BNPL at the retail point of sale (POS). Instead, they see BNPL as an option that differs from store cards and offers distinct and unique benefits. Sixty-eight percent of U.S. consumers believe BNPL could help them manage their spending, and 78% would be inclined to use BNPL options to make larger purchases that they otherwise would not have the funds to buy.

The Truth About BNPL And Store Cards Report, a PYMNTS and PayPal collaboration, details the differences in how consumers perceive and use store cards and BNPL options. The report surveyed a census-balanced panel of 2,161 U.S. consumers from Dec. 10 to Dec. 17, 2021, to determine how many of them shop with merchants that offer store cards, discover whether they use those cards or other payment methods to make their purchases and understand why there is virtually no risk of BNPL options cannibalizing store card-driven sales.

This is what we learned.

¹ 2022 Global Digital Shopping Index. PYMNTS.com. 2022. <https://www.pymnts.com/study/2022-global-digital-shopping-index-ecommerce-re-tail/#wpcf7-f1245207-o1>. Accessed February 2022.

² Our survey defines "store cards" as those issued by merchants, which may only be used when making purchases with those merchants.

³ The "59 million U.S. consumers" and "4.9 million" U.S. consumers statistics references in this sentence are estimates calculated by applying data collected from our survey of a census-balanced sample of consumers and applying it to the broader adult U.S. population. Estimates like these are used throughout this report in order to provide a sense of scale and to help illustrate the broader implications of our findings.

Given the choice, most store card holders choose store cards.

A negligible number of consumers with store cards used BNPL for their most recent store card-eligible purchase.

Consumers use store cards 87% of the time when they can. The remaining 13% of consumers with store cards pay using debit cards, credit cards or cash. Zero percent of consumers with store cards paid for their most recent eligible purchases via BNPL.

Consumers tend to use store cards and BNPL options for different reasons.

Accessing rewards is the most common reason consumers use store cards, while having the ability to make larger purchases is the most common reason they use BNPL options.

Forty-two percent of consumers who used store cards for their most recent eligible purchases did so because it earned them more rewards than other payment methods. Just 22% of shoppers who did not use store cards to make their most recent eligible purchases said they did not use store cards because they found better rewards using other payment methods.

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When store card holders use BNPL, they often use it for one specific type of item: those with high price tags.

Thirty-nine percent of all store card users say they have used BNPL at least once in the past, but just 8.3% of consumers who have store cards have used BNPL to make purchases in the past 30 days. Those cardholders who paid via BNPL are likely to have used it for purchases with high price tags. Our research shows that 32% of consumers would be more likely to use BNPL rather than store cards for purchases of more than \$1,000, nearly double the 17% that said the same for purchases costing less than \$250.

Just 4% of store card holders said they are likely to just use BNPL in the next three months. Twelve percent are likely to use a combination of BNPL and store cards in that time.

Store card holders from Generation Z were the most likely of any age group to plan on paying via BNPL in the next three months, and millennials were a close second. Even among Gen Z and millennial store card holders, however, just 8% and 6% intended to use BNPL for purchases within the next three months, respectively.

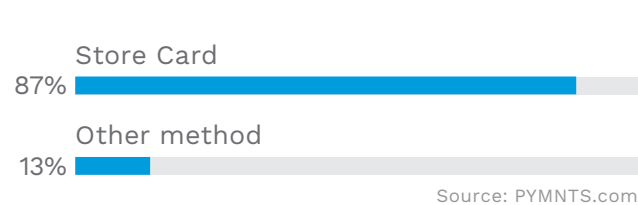


Understanding the store card-BNPL divide

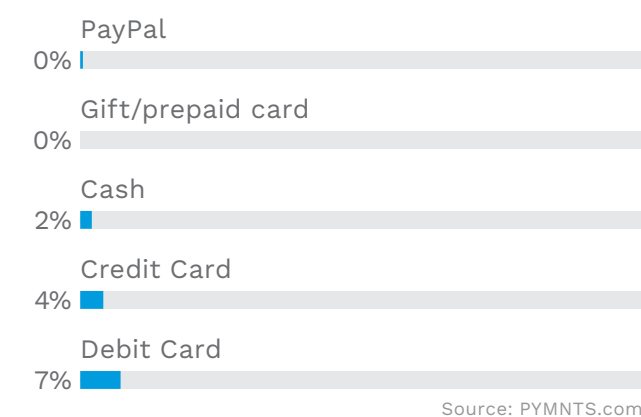
When consumers can pay with store cards, they tend to follow through. Our research shows that 87% of the storecard holders who have shopped in the past 30 days have used those cards to make their most recent eligible purchases. That means that just 13% of consumers who shopped with merchants with which they had store cards chose to pay using another method.

Figure 1:
Consumers' usage of store cards when they are available

1A: Share of consumers who used select methods to pay for their most recent store card-eligible purchase



1B: Share of consumers with store card that used another payment method for a store card-eligible purchase



Even when shoppers opt not to use their store cards for eligible purchases, they principally pay using either debit or credit cards — and rarely, if ever, pay with BNPL options. Our research finds that 7% of store card holders used debit cards to make their most recent store card-eligible purchases, and 4% used credit cards. Just 0.2% of store card holders paid for their recent eligible purchases using PayPal. These findings make it abundantly clear that consumers rarely consider BNPL options when making store card-eligible purchases.

Consumers tend to use store cards when they can for a few key reasons, namely rewards options and comfort and speed. Forty-two percent of cardholders who paid with store cards the last time they made an eligible purchase said they did so because of rewards, and 36% who paid with their cards did so because it was comfortable and fast.

Just 22% of store card holders who did not use their cards to make their most recent eligible purchases did so to earn rewards using other payment methods. It is therefore clear that rewards programs are one of the key differentiators separating consumers' use of store cards from other payment options.

Table 1:
Consumers' reasons for using or not using store cards during eligible purchases

Share of consumers who cited select reasons for paying for their most recent store card-eligible purchases, by whether they paid via store card or other methods

	Store Cards	Other Methods
Other	3%	12%
Funds availability	1%	0%
High dollar value	3%	0%
Low dollar value	4%	3%
Better expense management	12%	20%
Comfort or speed	36%	40%
Rewards	42%	22%

Source: PYMNTS.com

Forty percent of the cardholders who did not use their cards to make their most recent eligible purchases said it was because using credit cards, debit cards or, to a lesser extent, PayPal was faster and more comfortable. Consumers also considered whether their purchases were priced at a low or high dollar value, whether they had funds needed to make a given purchase and other factors when deciding how to pay, but these considerations were less common.

Driving payment decisions: What consumers want from store cards versus BNPL

One of the reasons there is so little overlap between BNPL and store card usage is that consumers expect different benefits from each. The foremost benefit they believe they can gain from using store cards is access to rewards, but the benefits they most often relay regarding BNPL options relate to pricing.

The higher the price, the more likely consumers are to use BNPL. Our research shows that 32% of all consumers would be more likely to pay with BNPL than store cards for purchases costing more than \$1,000. Just 17% would be more likely to pay via BNPL than store cards for items costing less than \$250.

Consumers are roughly **2.5x** more likely to use store cards than BNPL to pay for **items costing less than \$250**.

Figure 2:
Factors that influence whether consumers use BNPL or store cards to pay

Share of consumers who would be more likely to pay using store cards or BNPL for select factors

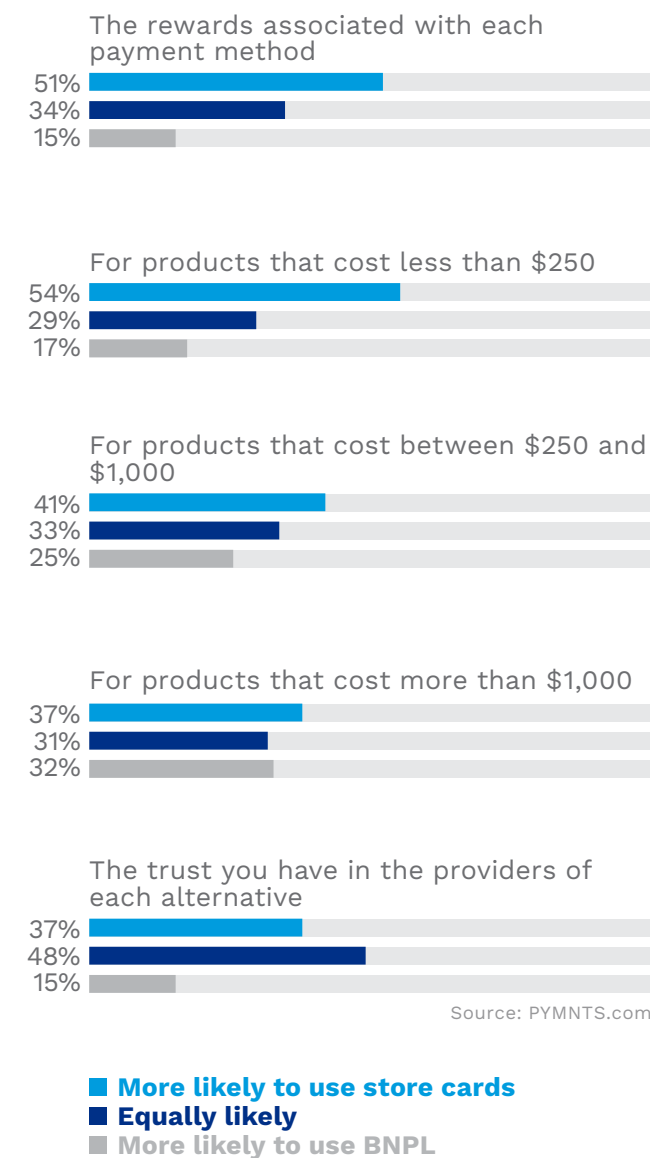
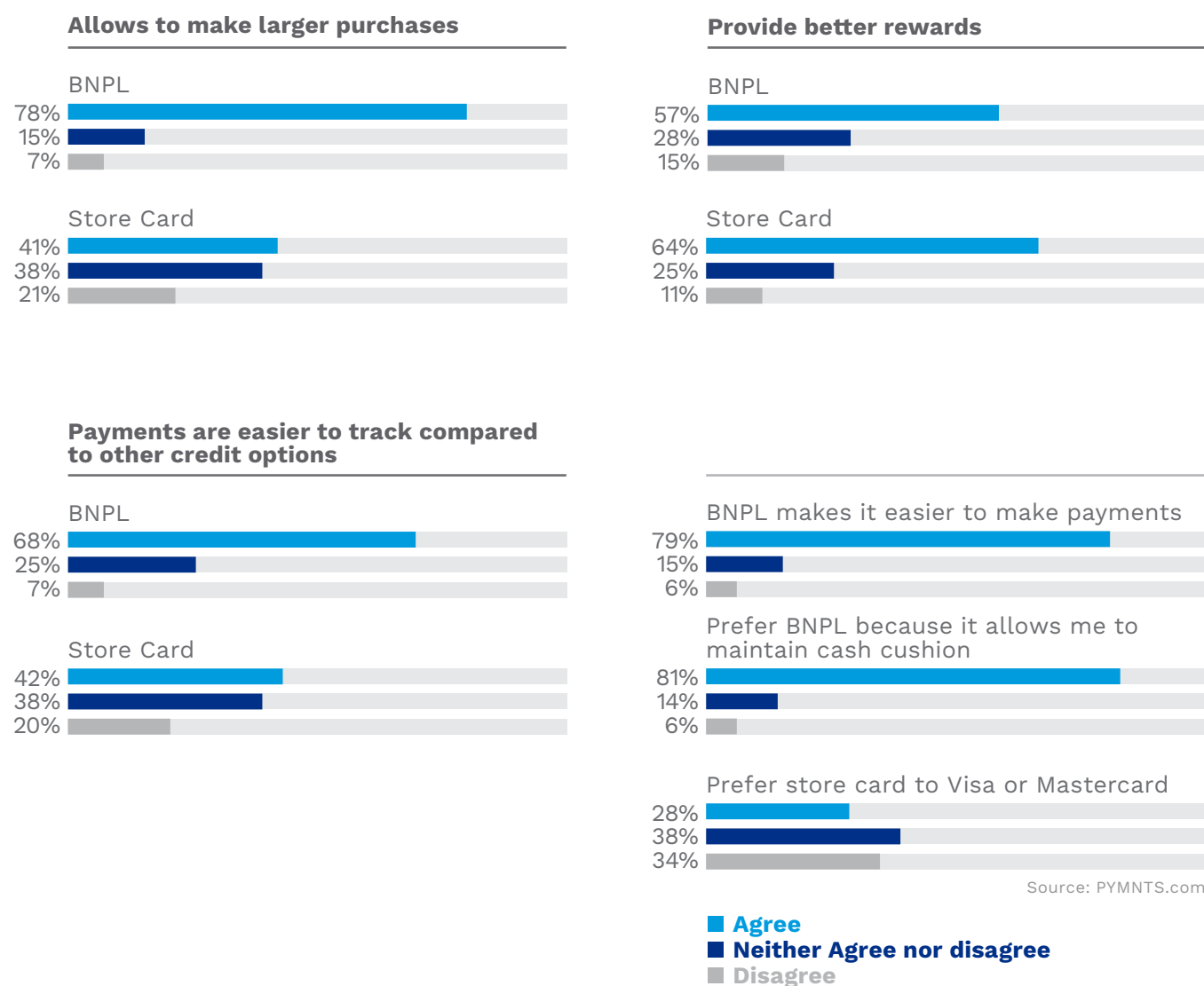


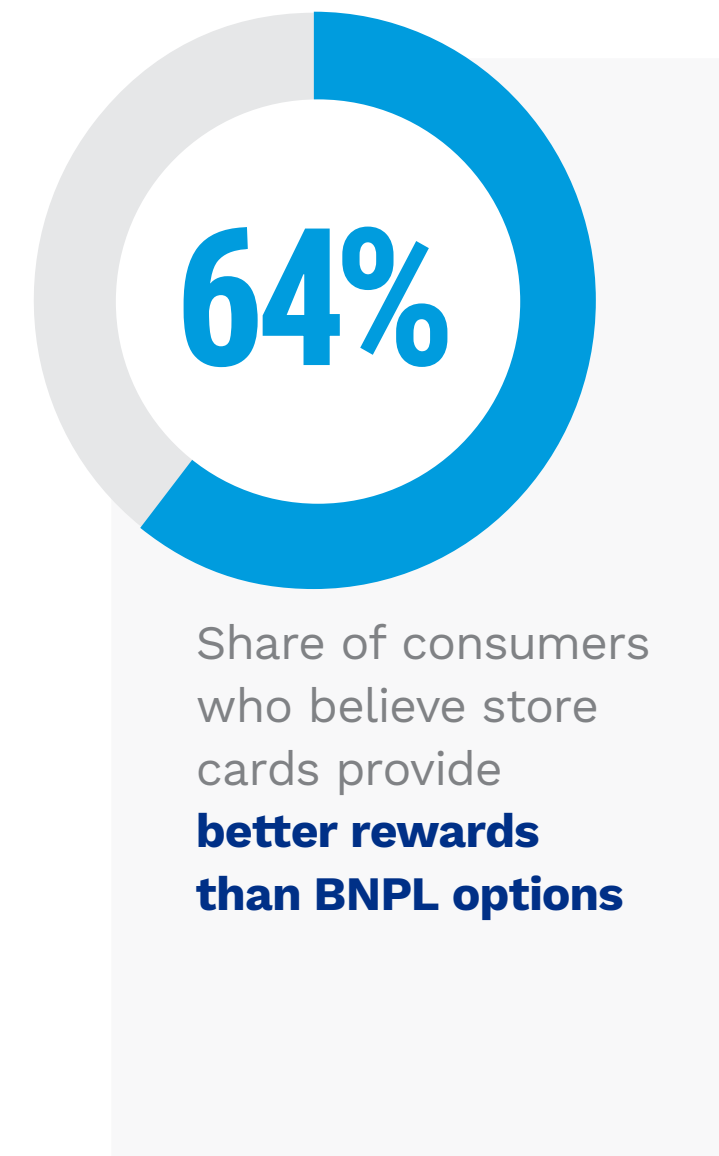
Figure 3:
Benefits consumers associate with store cards or BNPL

Share of consumers who agree or disagree with select statements about store cards and BNPL options



Consumers see BNPL options as a helpful way to make large purchases and as an effective way to track their payments. Sixty-eight percent of consumers believe BNPL options allow them to better track the payments they make for their purchases and 78% believe BNPL options allow them to make larger purchases. Forty-one percent of consumers believe store cards allow them to make larger purchases and 42% believe store cards make payments easier to track than other options.

Another distinction between store cards and BNPL options in consumers' eyes is that many consumers use store cards as a sort of alternative credit product. Our research shows that 28% prefer using store cards to using cards issued by the two big card networks, Visa or Mastercard.

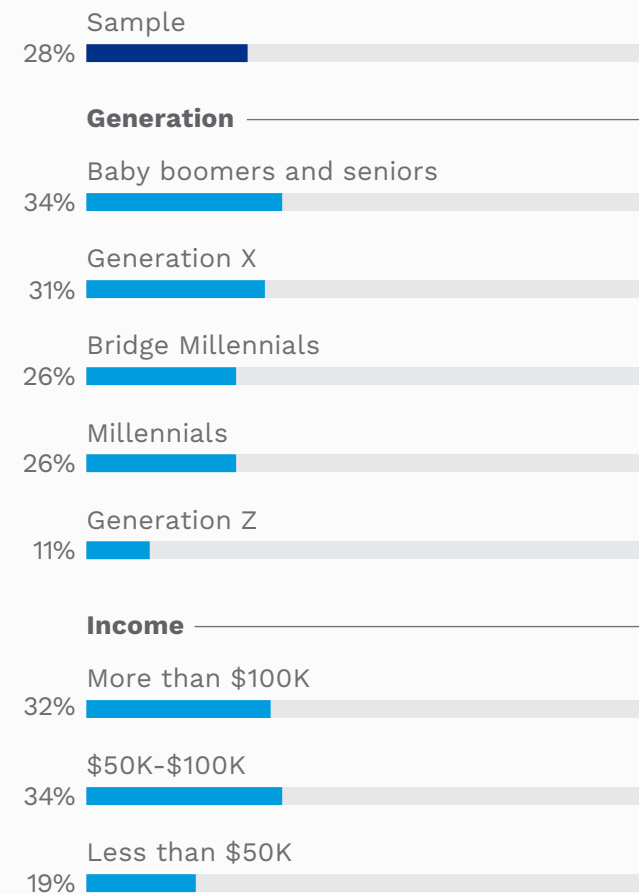


THE SCALE OF STORE CARD OWNERSHIP IN THE U.S.

PYMNTS' latest research shows that 28% of all U.S. consumers own at least one store card and that the average store card owner keeps roughly two such cards. Baby boomers and seniors and Generation X consumers exceed the average, as 34% and 31% of consumers in these age groups own at least one store card, respectively.

Figure 4:
U.S. consumers' ownership of store cards

Share of U.S. consumers who own at least one store card, by demographic group



Source: PYMNTS.com

28%

Share of U.S. consumers who own at least **one store card**

Looking back, going forward

The glaring differences between how consumers perceive and use store cards and BNPL options mean that they rarely wind up using one or the other to purchase the same products. Just 39% of consumers have ever used BNPL at merchants where they held store cards, in fact.

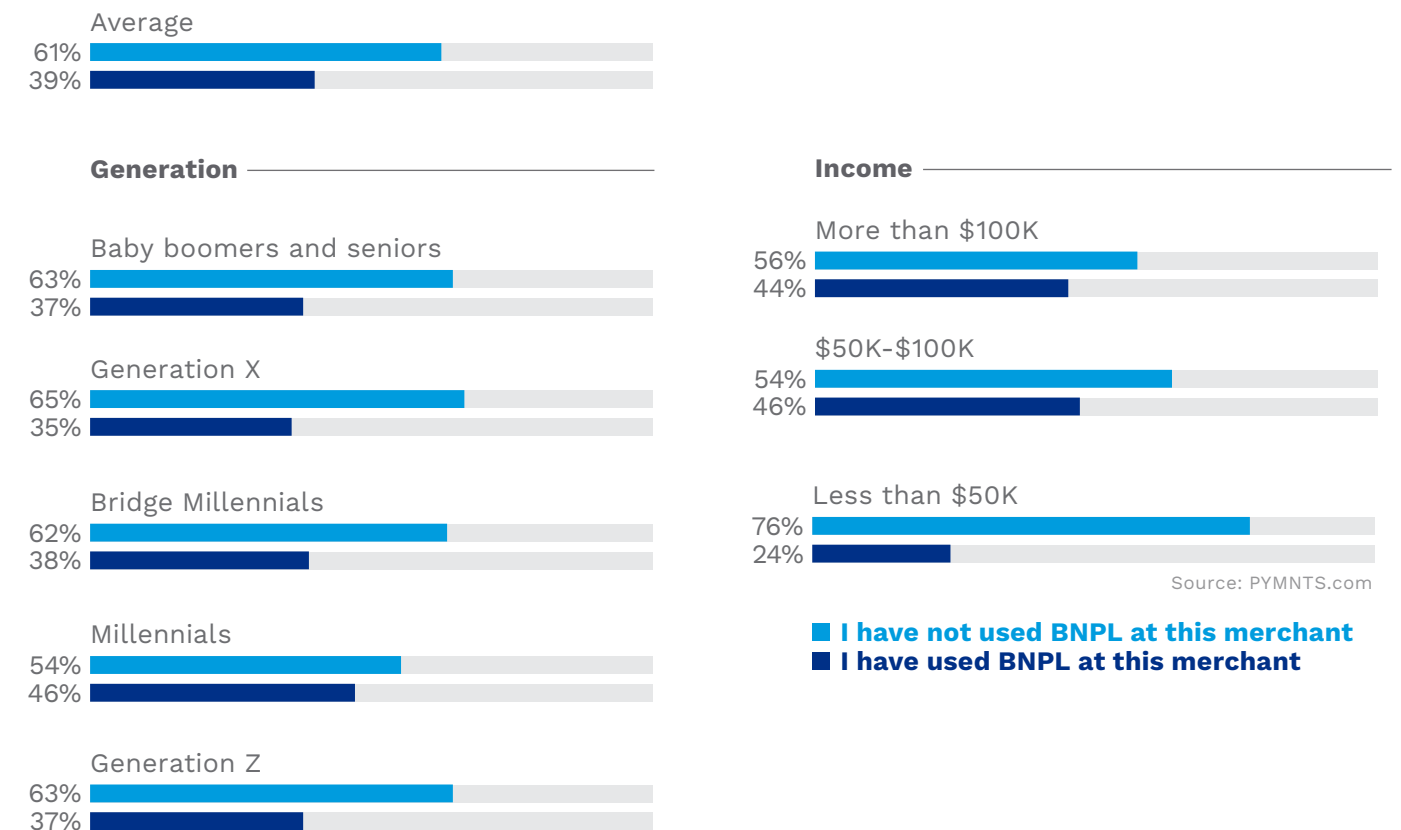
The share of consumers who have used BNPL at merchants where they hold store cards increases among millennials, however. Millennials are the most likely of all generations to have used BNPL at these merchants, as 46% have done so. This contrasts with baby boomers and seniors, of whom just 37% have ever used BNPL at merchants with which they held store cards.

Middle-income consumers and those with the most stable finances are also among those most likely to have used BNPL options in the past. Our research shows that 46% of middle-income consumers have used BNPL at merchants where they have store cards in the past, as have 43% of those who report that they do not live paycheck to paycheck.

Millennials and Gen Z are among the most likely to use BNPL for future payments. Six percent of millennials intend to pay exclusively using BNPL within the next three months, and 21% plan to pay using a mix of BNPL and store cards within the same time frame. Among Gen Z, 8% and 23% expect to pay with BNPL and a mix, respectively.

Figure 5:
Consumers' past usage of BNPL options with merchants where they have store cards

Share of consumers who have paid via BNPL at least once at a merchant with which they held a store card



Overall, 12% of U.S. consumers plan to pay using a mix of BNPL and store cards, and 4% intend to pay using BNPL exclusively in the next three months. This means roughly 41 million consumers in the U.S. want to pay via BNPL at the retail POS going forward. It is therefore clear that while consumers might not always want to use BNPL options when store cards are available, adopting BNPL options can help retailers convert millions more in sales than they would without BNPL plans.

Figure 6:
Store card holders' plans to use store cards and BNPL in the future

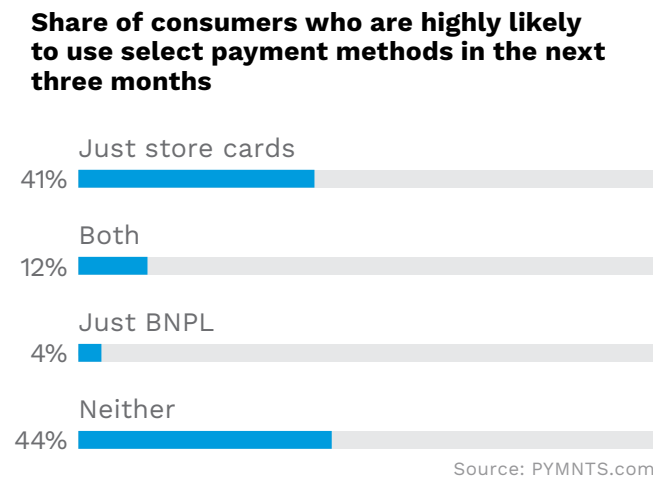


Table 2:
Store card holders' plans to use store cards and BNPL in the future

Share of consumers who are highly likely to use select payment methods in the next three months, by generation

	Generation Z	Millennials	Bridge millennials	Generation X	Baby boomers and seniors
Just store cards	42%	42%	45%	38%	42%
Both	23%	21%	17%	9%	6%
Just BNPL	8%	6%	3%	3%	3%
Neither	28%	32%	35%	49%	49%

Source: PYMNTS.com



Conclusion

Store cards and BNPL options are not competing payment options but rather complementary options that make a natural pair at the retail POS. They appeal to consumers of the same age groups, income levels and financial lifestyles, some of whom plan to pay using a combination of BNPL and store cards in the future. This natural pairing stems from the fact that these consumers are chiefly interested in store cards and BNPL options for different reasons and, therefore, rarely use them to purchase the same products. Merchants keen on maximizing their sales should thus incorporate both payment methods to cater to customers' specific purchasing needs.

Methodology

The Truth About BNPL And Store Cards Report draws from a census-balanced survey of 2,161 U.S. consumers about whether they owned and for which purchases they used store cards. Fifty-two percent of respondents were women, 32% held college degrees and 36% of respondents earned more than \$100,000 in annual income. Thirty-four percent of respondents were baby boomers or seniors, 27% hailed from Generation X and 28% were millennials.



About

PYMNTS.com

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