

The Credit Accessibility Series: BNPL's Wide-Ranging Impact on Consumers and Merchants, a PYMNTS and Sezzle collaboration, is based on a survey of 3,177 consumers conducted from April 26 to May 2. Our findings assess the rising popularity of BNPL products as a credit option, consumers' reasons for choosing to use it, and the potential of BNPL to improve their credit profiles.

The Credit Accessibility Series

BNPL's Wide-Ranging Impact on
Consumers and Merchants

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The Credit Accessibility Series

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The Credit Accessibility Series: BNPL's Wide-Ranging Impact on Consumers and Merchants was produced in collaboration with Sezzle, and PYMNTS is grateful for the company's support and insight. PYMNTS retains full editorial control over the following findings, methodology and data analysis.

Introduction



Consumers in the United States have been battling the constraints of higher prices and stagnant wages for some time, but merchants are increasingly offering a variety of credit options to help them smooth things over. Earlier PYMNTS' research found that improved spend management was a top reason for younger generations of consumers to use credit products, and our most recent survey of 3,177 consumers on buy now, pay later (BNPL) seconds this. In fact, preserving cash and lines of credit was the primary reason why 53% of BNPL users overall chose the payment method.

BNPL enables consumers to acquire goods and services upfront via short-term (and often interest-free) loans, and it is being adopted by far more than just millennials and members of Generation Z.


A close analysis of the data finds that although some groups of consumers are more likely to have used BNPL, the differences are small enough to suggest the payment method has relatively broad appeal. Sixteen percent of consumers overall used BNPL in early May, and an additional 12% used it at some point in the past; most demographics' shares fall within a few percentage points of these marks.

It seems that BNPL has become vital to shoppers of all stripes, with 43% saying they would delay a purchase or opt for a cheaper product if BNPL were unavailable. This and other data suggest that lacking BNPL as a payment option at checkout risks lost sales for merchants, with roughly one-quarter of each generation saying they would not complete a purchase if BNPL was not available. Offering BNPL could not only secure those transactions but also give businesses an opportunity to tighten their focus on sales growth by outsourcing store-based financing methods to BNPL providers.

These are a few of the key findings in The Credit Accessibility Series: BNPL's Wide-Ranging Impact on Consumers and Merchants, a PYMNTS and Sezzle collaboration. The findings are based on a survey of 3,177 consumers conducted from April 26 to May 2 to assess the rising popularity of BNPL products as a credit option, examine consumers' reasons for choosing to use it, and explore the potential of BNPL to improve their credit profiles.

This is what we learned.

BNPL has a wide-ranging audience: Its consumer appeal is not confined to specific groups of age, income, financial lifestyle or credit status.



Consistency in the level of usage across various demographic groups is indicative of BNPL's broad appeal as a payment method. Our survey showed that 16% of consumers used BNPL in early May, with a further 12% saying they used it at some point in the past. Of those earning more than \$100,000 annually, 17% have used it, as is the case with 13% of those earning up to \$50,000.

There is a more tangible difference in BNPL usage among consumers based on their financial circumstances. Data shows that 20% of those who live paycheck to paycheck identified as BNPL users, whereas only 9% of those who have broken the paycheck-to-paycheck cycle — and who

thus may have a little more financial latitude — said the same. Paycheck-to-paycheck living is tight, and this higher BNPL adoption rate suggests that consumers that use BNPL are more focused on managing their finances. Regardless of financial stability, accessing interest-free or low-interest loans and breaking up repayments into affordable chunks helps consumers control the timing of their expenditures and maintain both a cash cushion and access to credit lines.

Across demographic groups, BNPL usage swings from 20% for millennials to 11% for baby boomers, which may result from more cautious spending behavior on the part of the latter group, a large number of whom tend to be on fixed incomes. This difference may also be explained by the fact that no-interest loans are, in some ways, a wager that the borrower will have the money later, and millennials are in their prime earning years but baby boomers and seniors are not.

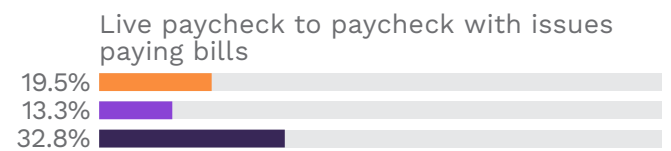
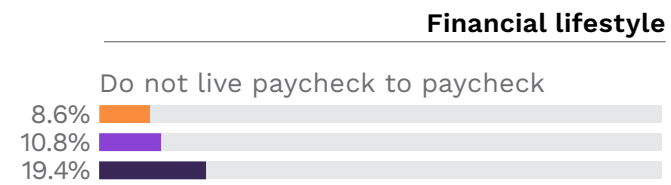
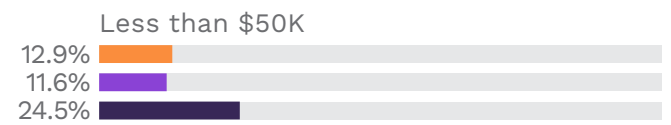
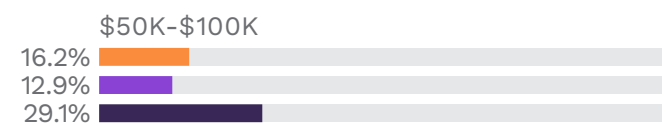
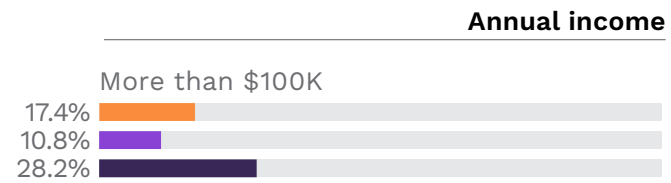
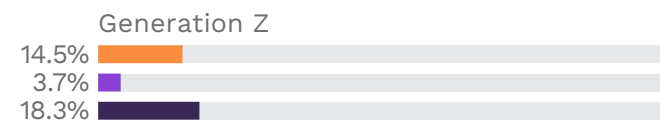
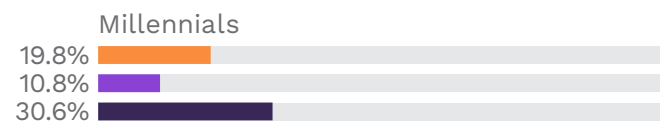
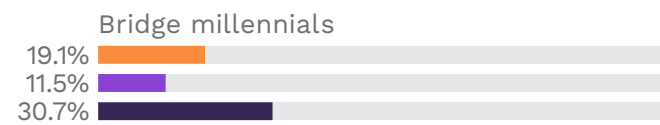
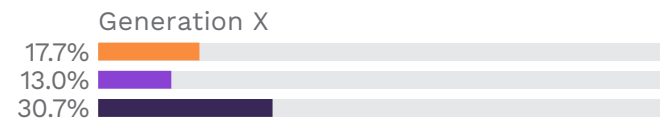
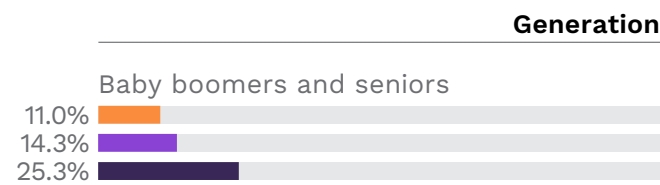
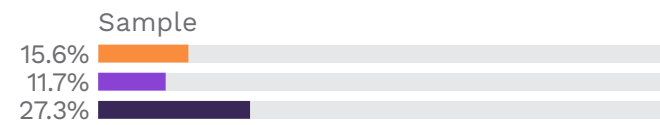
20%

Share of millennials using BNPL — nearly twice the share of baby boomers

FIGURE 1: Relative consistency in BNPL usage

Percentage of consumers who are using or have used BNPL, by demographic group

■ **Currently have**
■ **Had but no longer use it or have paid it off**
■ **Total**




Source: PYMNTS
The Credit Accessibility Series: BNPL's Wide-Ranging Impact on Consumers and Merchants, June 2023
N = 3,177; Adjusted sample, fielded April 26, 2023 – May 2, 2023

17%

Share of of high-income consumers who currently use BNPL



For BNPL users, preserving cash and managing credit lines are top of mind when opting to use the payment method.



Conserving cash and maintaining a healthy credit score are vital for consumers to continue to purchase the goods and services they need. The primary reason why 53% of BNPL users used the payment method was to help manage their cash effectively, with a further 18% agreeing that it was a significant reason, although not the most important. Similarly, 17% of BNPL users said the most important reason for their choosing BNPL to pay for purchases was to preserve their cash cushion, which was echoed by leading users of other credit products as well. In an uncertain economic environment with high inflation, accessing credit payment options that most effectively preserve cash is likely to become increasingly important for consumers, especially those who live paycheck to paycheck.

53%

Share of BNPL users using the payment method to manage their cash effectively

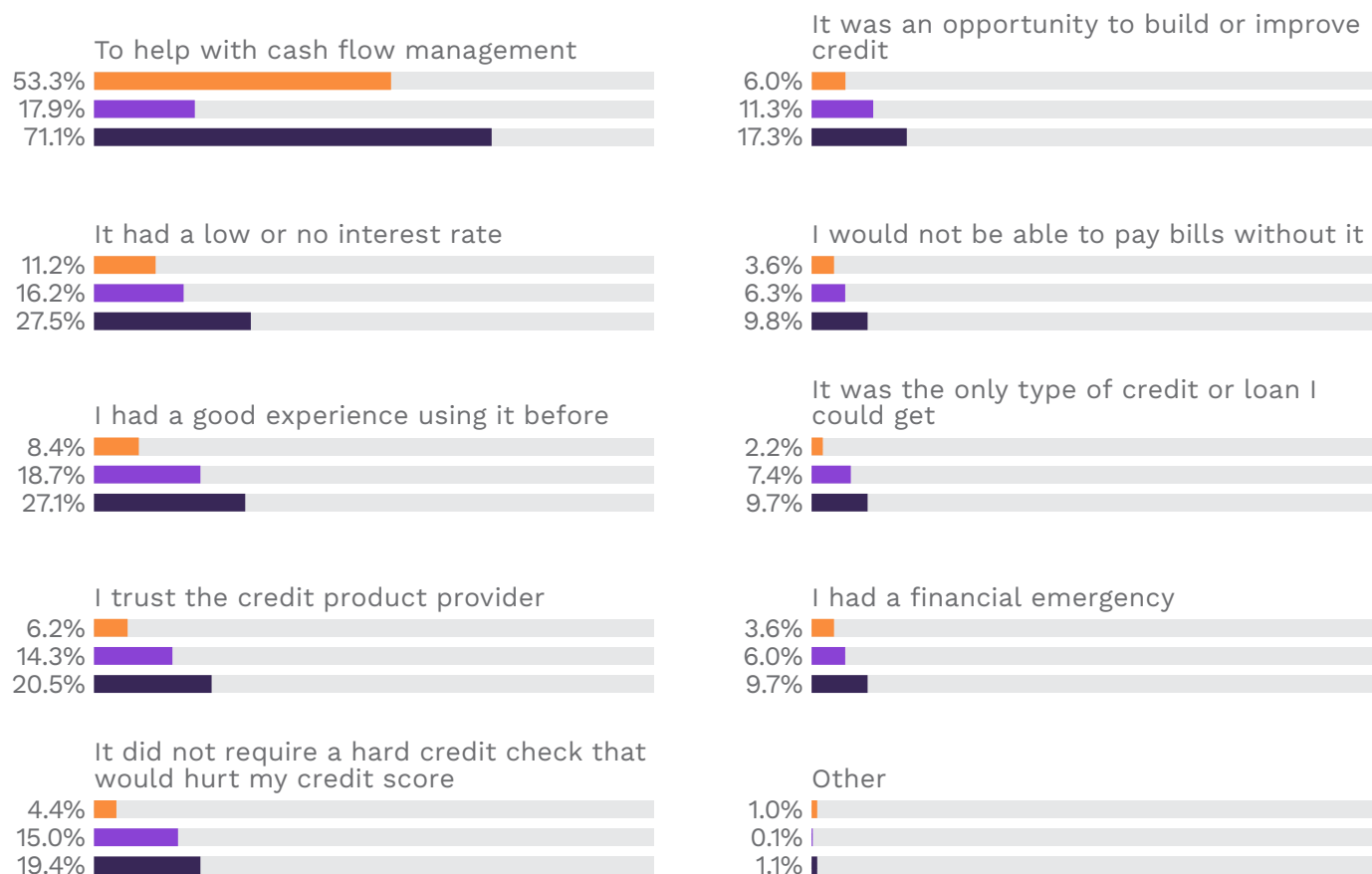
One way to more effectively conserve cash is to break up large payments of goods and services into manageable installments, which was the most important reason why 23% of consumers applied for BNPL. The installment payment aspect was also important to consumers when applying for other credit products, with 21% saying it was the primary reason they applied for auto loans and 11% saying it was the primary reason they used a credit card.

The attractiveness of preserving cash and paying for purchases in installments can also determine whether consumers complete purchases or not, which highlights the importance of offering BNPL as a payment method.

FIGURE 2: Most important reasons for turning to BNPL

Share of consumers citing select reasons that contributed to their decision to apply for BNPL

■ Most important
■ Selected, but not most important
■ Total



Source: PYMNTS

The Credit Accessibility Series: BNPL's Wide-Ranging Impact on Consumers and Merchants, June 2023
N = 616: Respondents who have BNPL or applied but were denied in the last 12 months, fielded April 26, 2023 – May 2, 2023

71%

Share of BNPL users or applicants who use or would use it to better manage their cash flows



Merchants that do not offer BNPL could lose potential sales from more than 25% of BNPL users; conversely, offering the payment method may help boost customer spending on larger-ticket items.



Offering BNPL can serve as a growth strategy for merchants that want to head-off cart abandonment at the pass. Four in 10 BNPL users said they were extremely likely to delay or cancel a purchase or opt for a cheaper product if a retailer or merchant did not offer BNPL as a payment method. This was true of 28% of both millennials and Gen Z consumers,

who would be extremely likely to abandon a purchase if they did not find a BNPL option. Echoing this sentiment, 26% of baby boomers and seniors said they would cancel a purchase if they could not use BNPL to pay.

Moreover, the availability of BNPL can increase the chance of securing the sale of relatively higher-value products — and keep consumers from opting for lower-value alternatives. If BNPL were not available at checkout, 28% of bridge millennials would opt for a cheaper product.



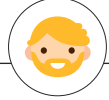


The unavailability of BNPL is also likely to make some consumers to opt for only one purchase or delay other payments. This was particularly true of bridge millennials, who were twice as likely to say so than the average consumer. Additional insights into reasons and motivations for consumers' usage of BNPL could also inform the marketing plans of retailers and merchants, directing promotions of certain products and services to different consumer groups.

43%

Share of BNPL users who would delay or cancel a purchase, or opt for cheaper product if the payment method was not offered by a retailer

**TABLE 1:
BNPL's impact**

Share of consumers who made select decisions when BNPL was unavailable, by generation

	 Baby boomers and seniors	 Generation X	 Bridge Millennials	 Millennials	 Generation Z
• Did not purchase	25.5%	24.5%	22.1%	28.2%	27.5%
• Purchased a cheaper product	7.7%	13.0%	28.2%	25.3%	18.9%
• Completed the purchase and delayed other due payments	1.6%	9.1%	25.4%	18.9%	13.6%
• Borrowed the money from family or friends	2.3%	9.1%	16.3%	12.2%	9.7%
• Did not purchase for some and used cash advance/payday loans for others	1.6%	4.7%	19.7%	13.3%	8.4%
• Used cash advance/payday loans	0.5%	3.8%	15.3%	13.7%	4.4%

Source: PYMNTS
The Credit Accessibility Series: BNPL's Wide-Ranging Impact on Consumers and Merchants, June 2023
N = 510: Respondents who currently have BNPL, fielded April 26, 2023 – May 2, 2023



Preserving a cash cushion and avoiding interest are consumers' main motivations behind BNPL use — motivations that are popular in a time of inflation.



Inflation can have a major impact on consumer behavior, which can boost or hinder merchant sales. A change in items purchased, trading down or buying store brand products, or putting off buying certain goods as a result of higher prices can make it challenging for retailers to achieve sales growth goals, unless consumers are provided the right incentives to complete their purchases. BNPL can be exactly this type of

incentive and sales driver by offering consumers the opportunity to pay for a large-ticket item in installments with no additional interest charges. For 28% of consumers, the low- to no-interest rate is an important factor, and for 11% it is the most important reason to use BNPL.

As a credit option, it can also be particularly beneficial for some consumers by supplanting riskier or more costly options. For millennials, the availability of this payment method can actually prevent them from using high-interest loans, such as cash advances or payday loans, the likelihood of which is extremely high among 14% of millennials.

An average consumer furnishing their apartment for \$3,000 could save \$320 in interest, or over 10% of the total cost, if they opt for BNPL, versus using a credit card to pay off the balance over a few months. A consumer with a low credit score could also save up to \$575 for this purchase, a savings equal to over 19% of the total, when taking advantage of BNPL's no- to low-interest installments.

28%

Share of consumers who think the no-interest loan feature of BNPL is an important factor

**TABLE 2:
Drivers of BNPL use**

Share of consumers who cited select reasons that contribute to their decision to apply for BNPL, by credit score

	Sample	More than 750	651 to 750	650 or less
• To help with cash flow management	71.1%	66.1%	73.1%	72.8%
• It had a low or no interest rate	27.5%	38.9%	31.0%	17.9%
• I had a good experience using it before	27.1%	29.5%	31.3%	24.0%
• I trust the credit product provider	20.5%	23.3%	23.9%	17.5%
• It did not require a hard credit check that would hurt my credit score	19.4%	17.4%	21.6%	19.9%
• It was an opportunity to build or improve credit	17.3%	9.8%	19.1%	21.6%
• I would not be able to pay bills without it	9.8%	8.2%	13.2%	7.8%
• It was the only type of credit or loan I could get	9.7%	10.6%	10.7%	8.6%
• I had a financial emergency	9.7%	5.6%	13.9%	9.4%
• Other	1.1%	2.8%	0.7%	0.3%

Source: PYMNTS

The Credit Accessibility Series: BNPL's Wide-Ranging Impact on Consumers and Merchants, June 2023
N = 616: Respondents who have BNPL or applied but were denied in the last 12 months, fielded April 26, 2023 — May 2, 2023

17%

Share of consumers who saw BNPL as an opportunity to build or improve credit



Consumers say that using BNPL has helped increase their credit scores.



While credit scoring models do not use BNPL transactions just yet, bureaus are beginning to include BNPL in personal credit records, and it could be a matter of time before the scoring models catch up. That said, it is also possible that BNPL users are improving their credit scores indirectly by using BNPL to better manage their cash flows, as lower credit utilization and a reduced number of late payments elsewhere would boost scores regardless.

One-third of BNPL users say that using the payment method has increased their credit scores. Millennials seem to be more aware of this, with 42% of them saying the same. Less than 10% of BNPL users have seen a reduction in credit scores from using it, while 17% of users said their use of or decision to apply for BNPL stemmed from a desire to improve their credit scores.

42%

Share of millennials who say BNPL has helped improve their credit scores



FIGURE 3: BNPL and credit scores

Share of consumers citing the impact of using BNPL on credit score, by demographic

■ Increased credit score
■ No impact
■ Lowered credit score



Source: PYMNTS
The Credit Accessibility Series: BNPL's Wide-Ranging Impact on Consumers and Merchants, June 2023
N = 423: Respondents who have BNPL and who know its impact on their credit scores, fielded April 26, 2023 – May 2, 2023

Conclusion

BNPL has established traction with a wide cross-section of U.S. consumers, with 43% of BNPL users saying they would abandon a purchase or elect to buy a lower-priced replacement item from a merchant if the payment option was not offered. This popularity provides merchants with a clear sales-based incentive to provide BNPL as a payment option, to say nothing of the customer satisfaction implications. Consumers are attracted to the no-interest, no-fee installment aspect of BNPL and view it as an effective way to manage cash balances and available credit lines. One-third of all BNPL users believe using the payment method has led to an increase in their credit scores, and this cycle may prove key, with close to 1 in 5 saying the opportunity to improve their credit scores prompted them to use BNPL in the first place. Should these trends continue, it would not be shocking for the payment method to gain more and more prominence in the coming years.



Methodology

The Credit Accessibility Series: BNPL's Wide-Ranging Impact on Consumers and Merchants, a PYMNTS and Sezzle collaboration, is based on a survey of 3,177 consumers conducted from April 26 to May 2. Our findings assess the rising popularity of BNPL products as a credit option, consumers' reasons for choosing to use it and BNPL's potential to improve their credit profiles.

The Credit Accessibility Series

BNPL's Wide-Ranging Impact on Consumers and Merchants

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