

TRACKING THE DIGITAL PAYMENTS TAKEOVER

WHAT BNPL NEEDS TO WIN WIDER ADOPTION

August 2023

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Tracking the Digital Payments Takeover: What BNPL Needs to Win Wider Adoption, a PYMNTS and AWS collaboration, examines consumer interest in deferred payment plans such as credit card installment plans and BNPL. We surveyed a census-balanced panel of 3,140 consumers between June 13 and June 21 to discover what features they expect from deferred payment plans and to learn how BNPL can meet these expectations and reach the usage rates of credit card installment plans.

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Introduction

Paying for purchases over time is a classic concept in retail, with legacy offerings such as Christmas layaway plans helping consumers manage their spending for decades. Modern iterations such as credit card installment plans and buy now, pay later (BNPL) are for every season and are gaining prominence as years of extended inflation and reduced financial stability make the relief of taking home a big-ticket purchase and paying it off in manageable portions even more valuable.

Consumer use of BNPL and credit card installment plans has been on the rise in recent years. Many retailers and credit card issuers offer installment payment plans, and these programs can come with rewards programs and high credit limits, not to mention ubiquitous in-store availability. BNPL has emerged as a credit alternative, serving consumers who cannot qualify for a

credit card or those seeking the lowest possible interest rates. Data shows, however, that these consumers want the advantages that credit card installment plans can offer. PYMNTS' research finds that rewards programs, higher credit limits and more availability in-store are consumers' top demands, each cited by one-third of BNPL users.

Tracking the Digital Payments Takeover: What BNPL Needs to Win Wider Adoption, a PYMNTS and AWS collaboration, examines consumer interest in deferred payment plans, including credit card installment plans and BNPL. We surveyed a census-balanced panel of 3,140 consumers in the United States between June 13 and June 21 to discover what features consumers expect from deferred payment plans and to learn how BNPL can meet these expectations and reach a higher level of usage.

This is what we learned.

Consumers using deferred payment plans want them to be easy, convenient and broadly available with more merchants and purchase amounts.¹

PYMNTS' research finds that 28% of consumers — nearly one-third — have used deferred payment plans in the last three months.

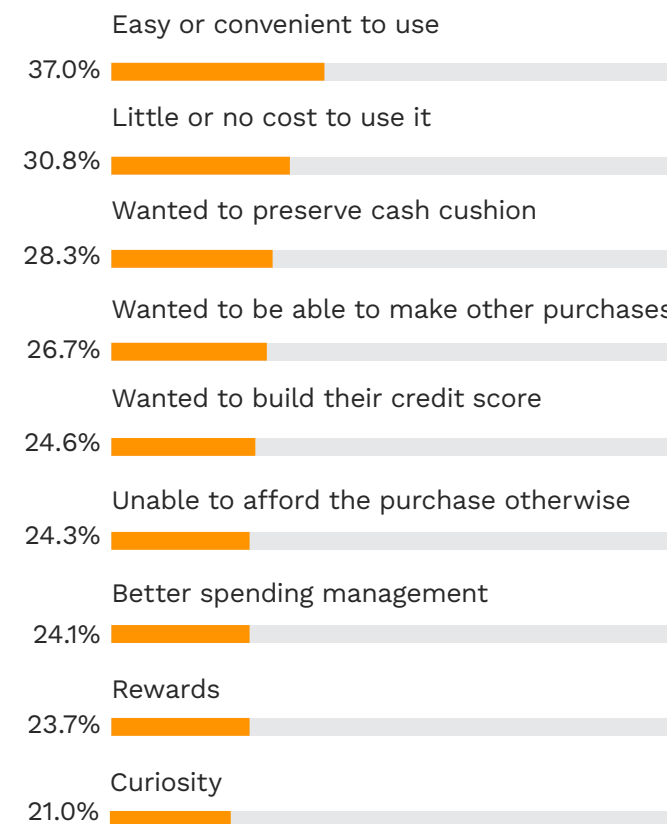
Of these consumers, 19% have used BNPL, and 18% have used credit card installment plans. Nevertheless, consumers plan to use BNPL more in the next year, especially those already using BNPL. While 43% of consumers who already use BNPL plan to use it in the next year, 15% of those who have not plan to join the bandwagon.

Consumers report that they use deferred payment plans for three reasons: The plans are convenient, provide a financial cushion and enable consumers to buy more. While 37% of consumers use deferred payment plans for convenience, 28% do so to preserve a cash cushion and 27% do so to be able to purchase more products. Not surprisingly, consumers expect to access these features from BNPL as much as from credit card installment plans.

¹ For this study, we use “deferred payment plans” to refer to payment plans such as BNPL and credit card installment plans where consumers can split up and defer payments over a specific timeframe and number of payments.

FIGURE 1:

Reasons to use deferred payment plans
Share of deferred payment plan users who cite select reasons for using the plans



Source: PYMNTS

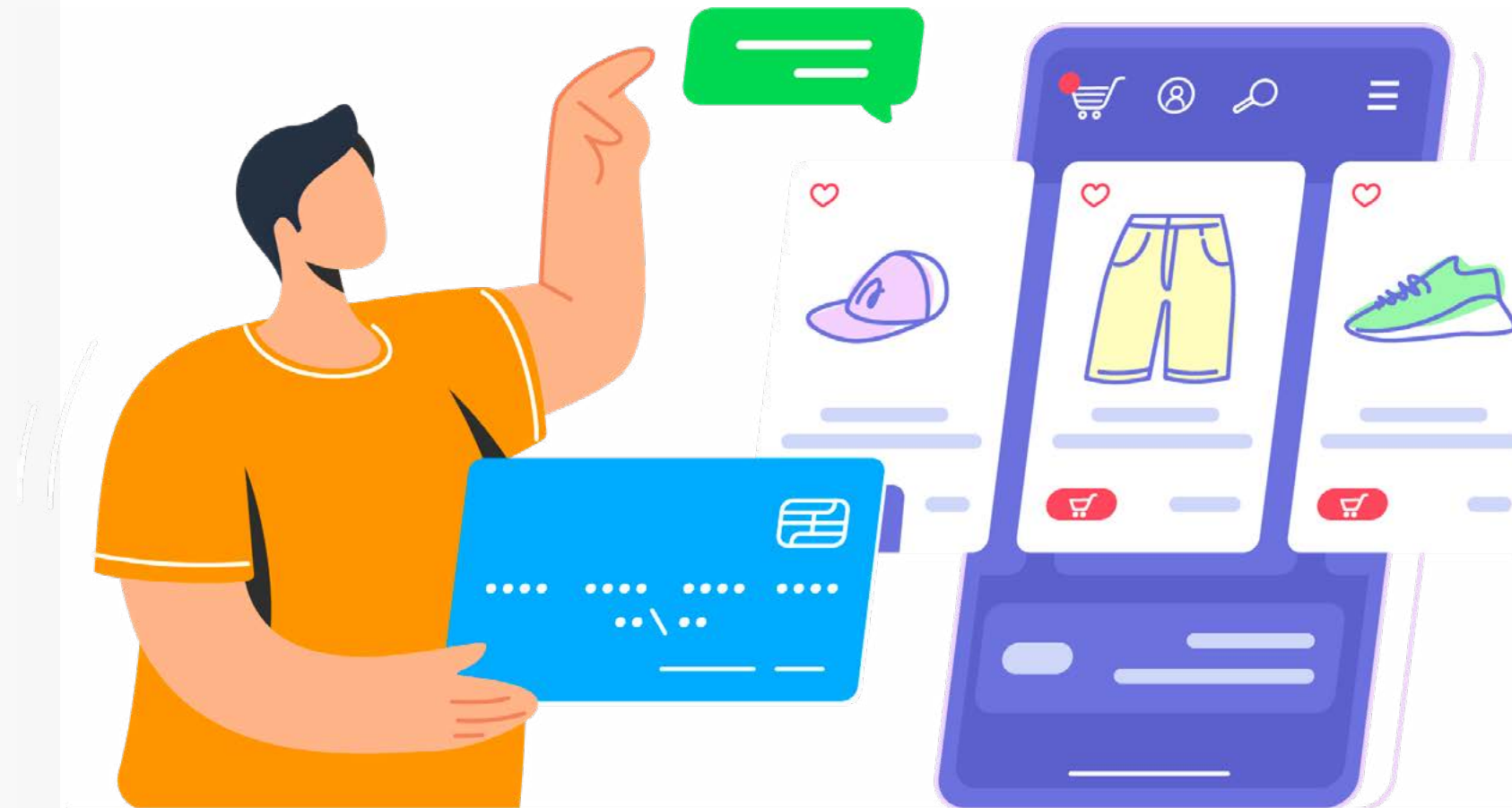
Tracking the Digital Payments Takeover: What BNPL Needs to Win Wider Adoption, August 2023
N = 1,019: Consumers who have used deferred payment plans either through credit cards or BNPL in the last 90 days, fielded June 13, 2023 – June 21, 2023

28%

of consumers have used **deferred payment plans** in the last three months.

Users of credit card installments use them more frequently and for larger purchases than BNPL because BNPL still lacks the features potential users demand.

Older and high-income consumers tend to use credit card installments more often, while millennials and Generation X consumers are the most likely generations to be frequent BNPL users. Twenty percent of baby boomers and seniors and 19% of consumers annually earning more than \$100,000 used credit card installments five times or more in the last three months. More high-income consumers used BNPL at least three times in the last 90 days than middle- and low-income earners, at 47%. This difference suggests there is a possible relationship between the two: higher income correlates with more frequent usage. Meanwhile, 13% of Gen X and 11% of millennials used BNPL five times or more in the last three months.

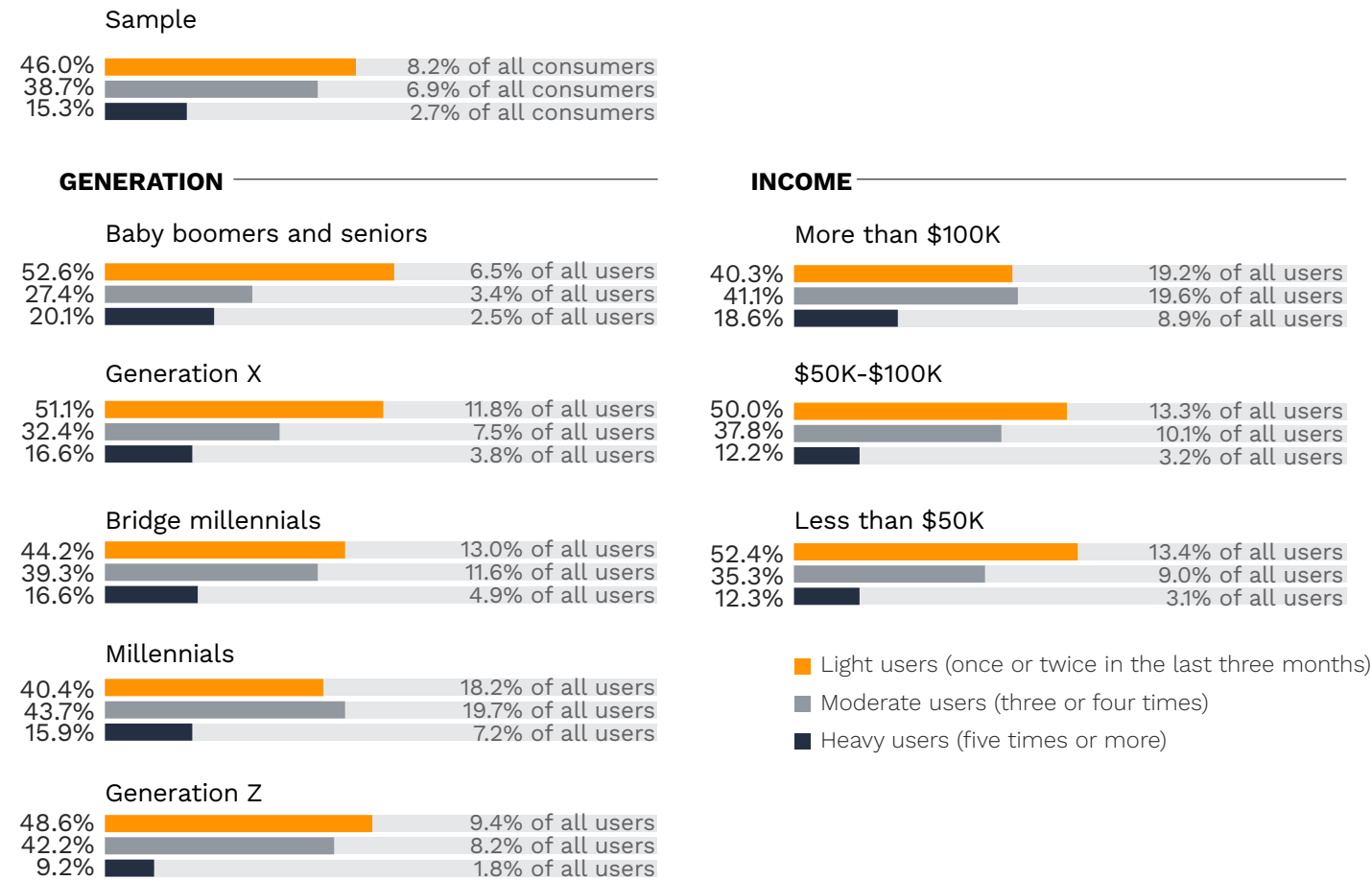


Overall, millennials use deferred payment plans the most, with Gen Z and Gen X consumers trailing and baby boomers and seniors using them least. Size of purchase is also a useful metric, and data shows that bridge millennials and Gen X consumers spend more money on deferred payment plans than the average consumer. On average, consumers spent \$339 per purchase with BNPL and \$482 per purchase with credit card installments in the last three months. Bridge millennials and Gen X consumers spent approximately \$440 per purchase with BNPL — roughly \$100 more than average.

FIGURE 2A:

Credit card installment plans usage

Share of consumers who have used credit card installment plans with select frequencies, by demographic

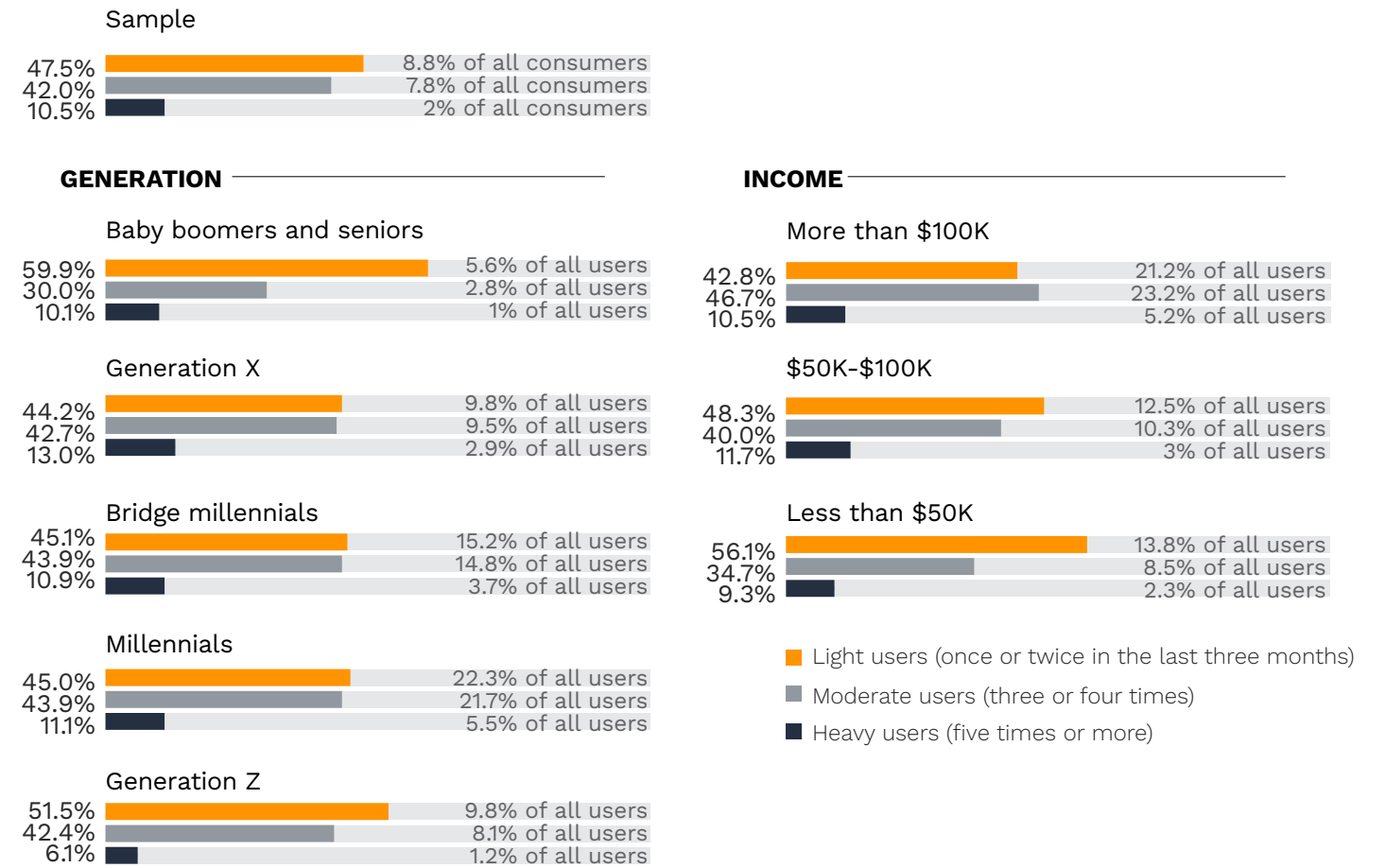


Source: PYMNTS
 Tracking the Digital Payments Takeover: What BNPL Needs to Win Wider Adoption, August 2023
 N = 586 Consumers who have used credit card installment plans in the last 90 days, fielded June 13, 2023 – June 21, 2023

FIGURE 2B:

BNPL usage

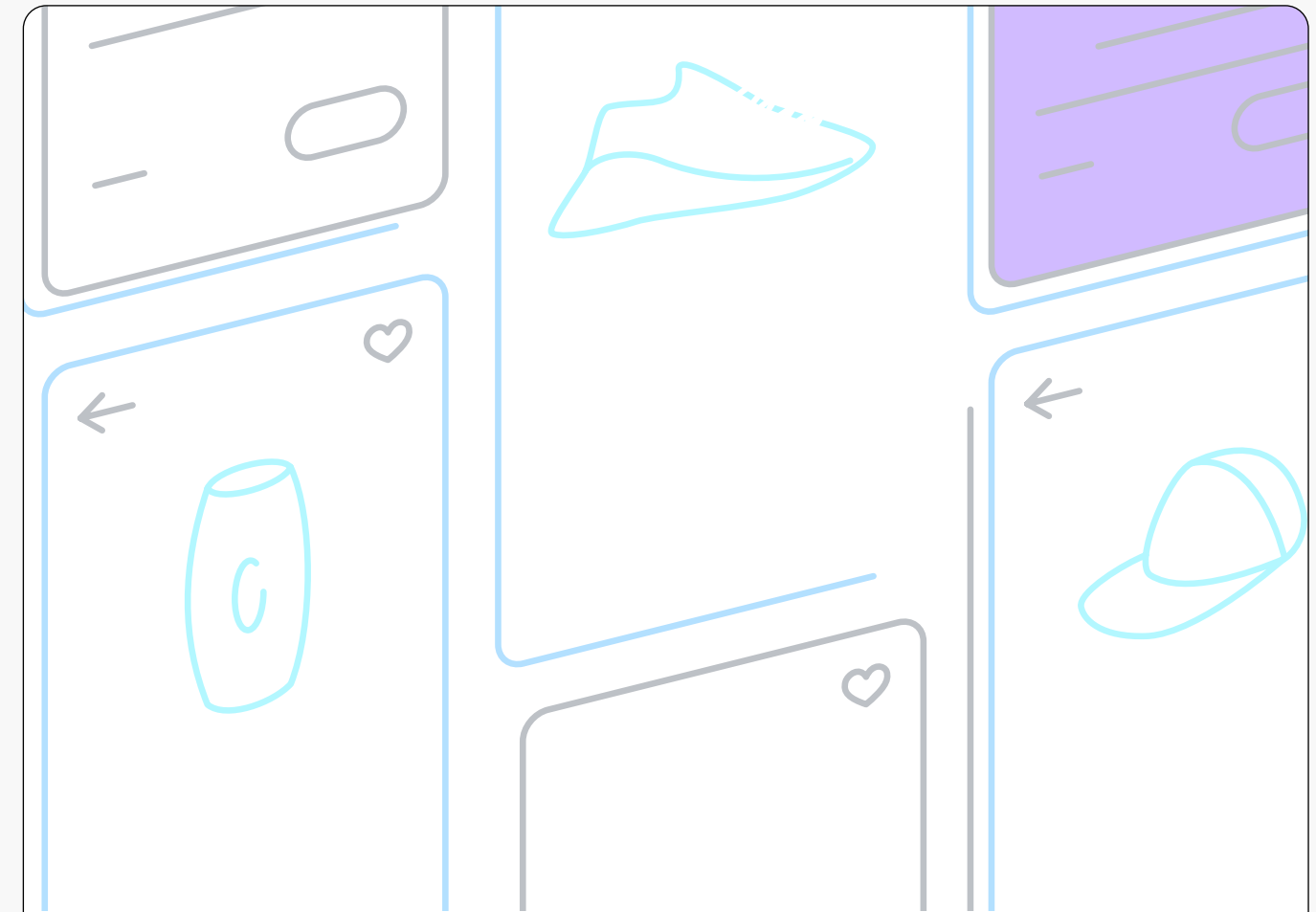
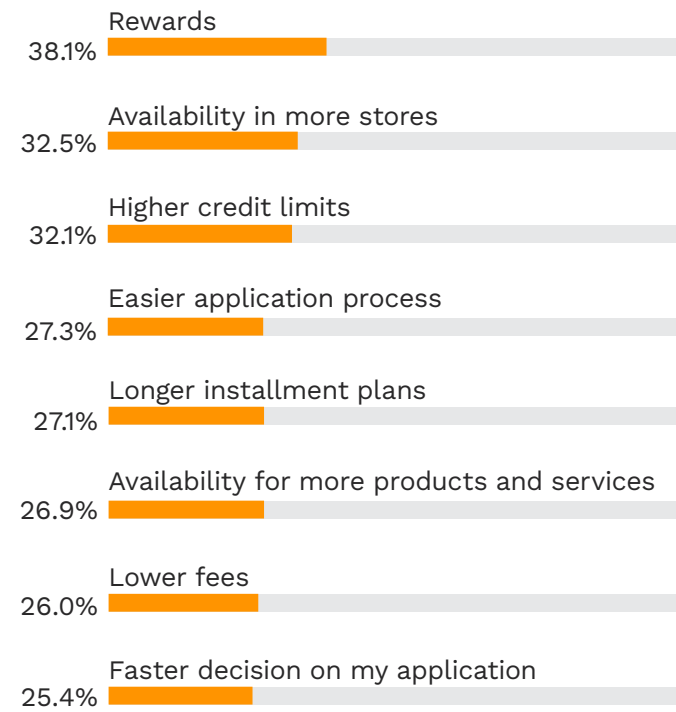
Share of consumers who have used BNPL with select frequencies, by demographic



Source: PYMNTS
 Tracking the Digital Payments Takeover: What BNPL Needs to Win Wider Adoption, August 2023
 N = 620: Consumers who have used BNPL in the last 90 days, fielded June 13, 2023 – June 21, 2023

FIGURE 3:
Features BNPL users would like to see

Share of BNPL users who cite select features that would improve their satisfaction with BNPL providers



Consumers turn to credit card installments more frequently and for larger purchases because BNPL lacks features common to credit cards, such as reward programs and higher credit limits. They also say that BNPL does not yet have the same level of store availability. Thirty-eight percent of consumers say they want BNPL to offer more and better rewards, 33% want more availability in-store and 32% want higher credit limits. To grow BNPL usage, meeting consumers' demand for these features is critical.

Source: PYMNTS
 Tracking the Digital Payments Takeover: What BNPL Needs to Win
 Wider Adoption, August 2023
 N = 620: Consumers who have used BNPL in the last 90 days,
 fielded June 13, 2023 – June 21, 2023

Consumers pay for all types of products with deferred payment plans, with BNPL slightly behind credit card installment usage across all product types.

Deferred payment plans are common in all types of purchases — and BNPL usage is generally a bit behind credit card installments.

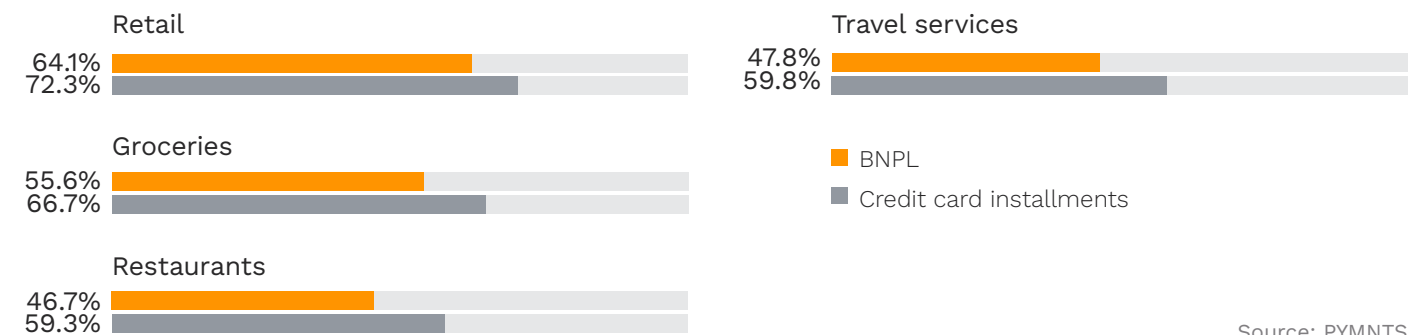
PYMNTS' data finds that 67% of consumers used credit card installment plans to finance grocery purchases in the last three months, and 56% did the same with BNPL. Similarly, 64% of consumers used BNPL for non-grocery retail products, and 72% used credit card installments.

Clothing, beauty products and appliances are the most common retail products purchased with deferred payment plans. BNPL use typically trails credit card installment use for these purchases. For instance, 45% of consumers used credit card installments to pay for clothing and accessories, while 41% did so with BNPL.

FIGURE 4

Product types purchased with deferred payment plans

Share of consumers who used BNPL and credit card installment plans to purchase select product types in the last three months



Source: PYMNTS

Tracking the Digital Payments Takeover: What BNPL Needs to Win Wider Adoption, August 2023

N = 620: BNPL users; N = 586: Credit card installment users, fielded June 13, 2023 – June 21, 2023

41%

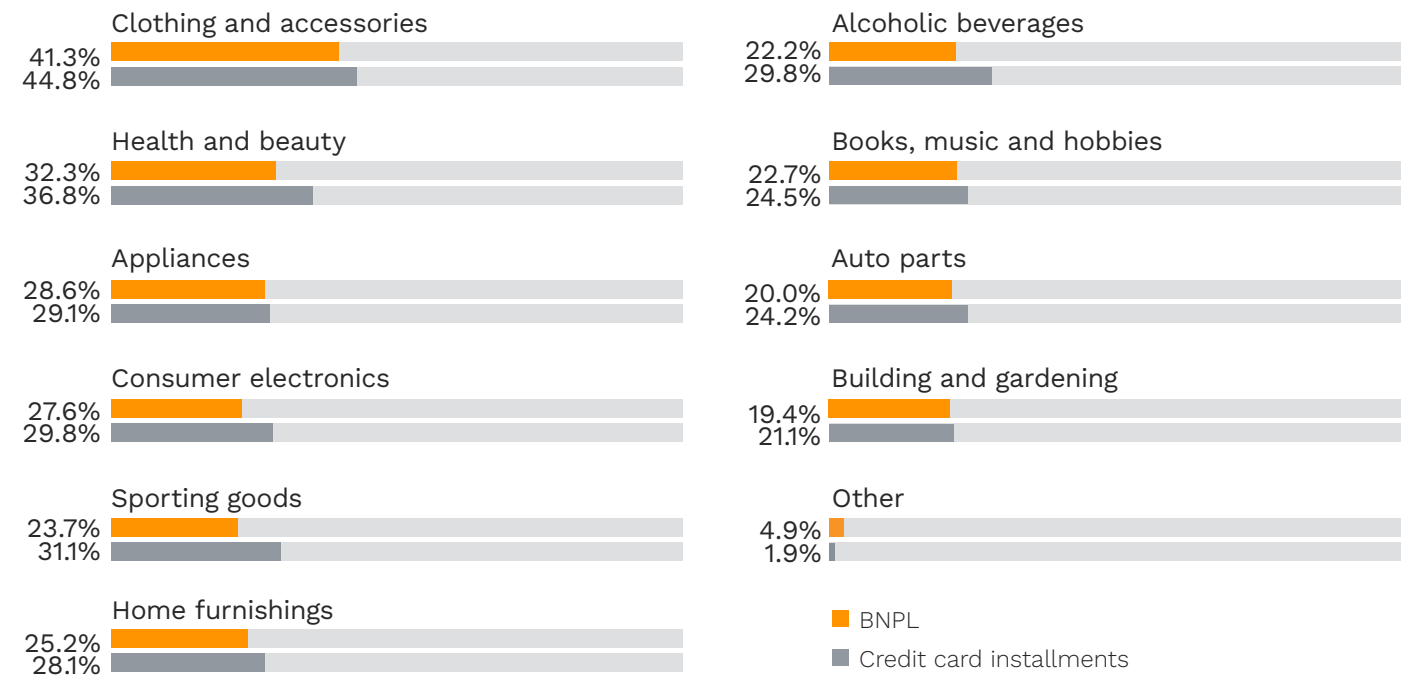
of consumers used BNPL to pay for **clothing and accessories** purchases.

Being able to pay for large purchases over time is a key benefit of deferred payment plans. The average number of installments is close to four for both BNPL and credit card installments, indicating that the two products have found a sweet spot — and that consumers may be using the two for similar purchases. All demographic groups use three to four installments to defer their payments, except baby boomers and seniors, who buy products with five installments, on average, when using credit cards and four installments when using BNPL. This usage suggests that those on a fixed income might require more time to pay for their purchases.

FIGURE 5:

Items purchased with deferred payment plans

Share of consumers using BNPL and credit card installment plans for purchases in select categories of retail items in the last three months



Source: PYMNTS
 Tracking the Digital Payments Takeover: What BNPL Needs to Win Wider Adoption, August 2023
 N = 620: BNPL users;
 N = 586: Credit card installment users,
 fielded June 13, 2023 – June 21, 2023

Consumers who use BNPL are highly satisfied with their BNPL options and are increasing their use of BNPL.

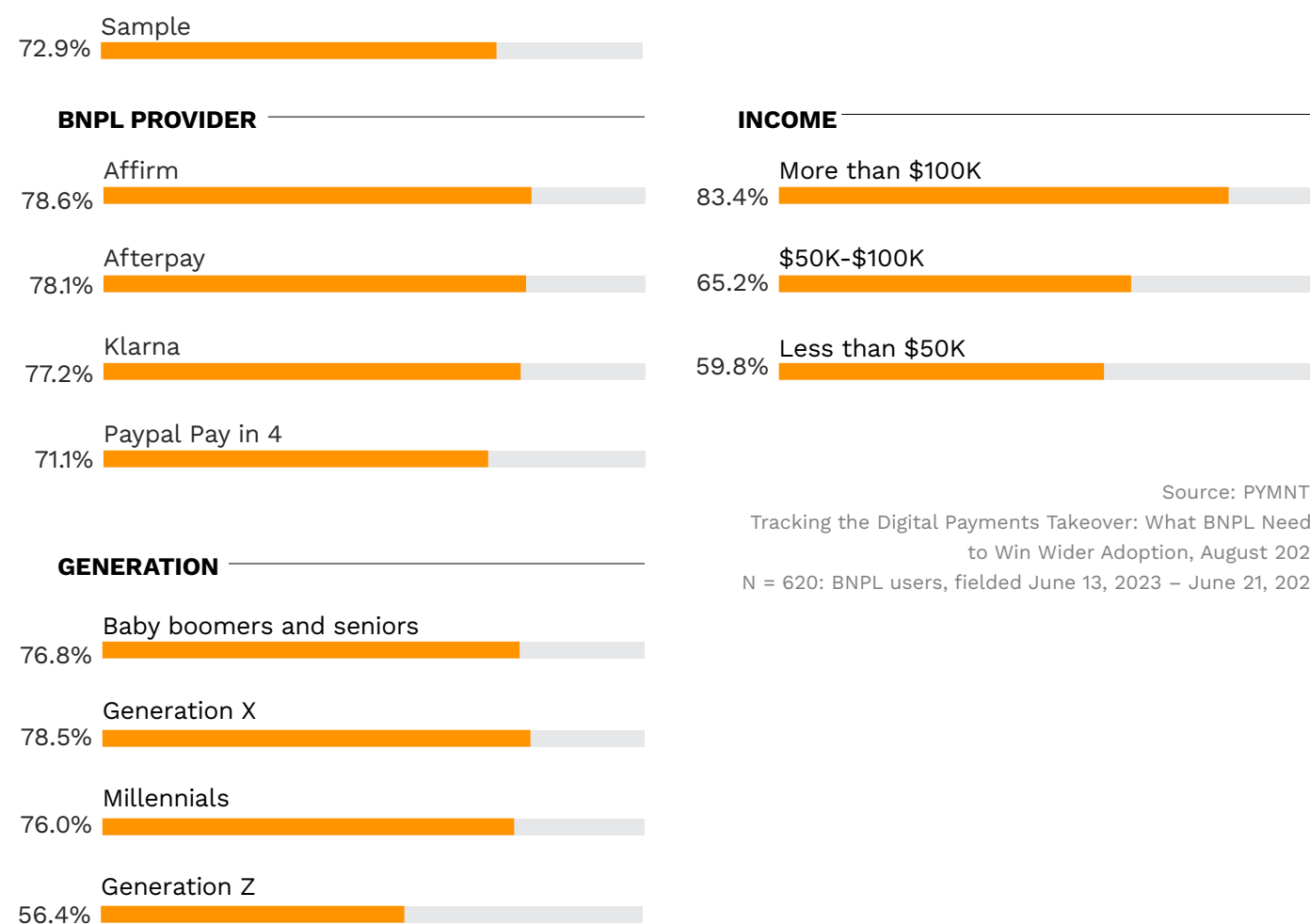
Three-quarters of BNPL users are very or extremely satisfied with their BNPL options, a trend that does not vary significantly by BNPL provider. Low-income and younger consumers are less likely to be highly satisfied with their BNPL options, however. Fifty-six percent of Generation Z consumers and 60% of those annually earning less than \$50,000 are highly satisfied with their BNPL options. These shares are significantly smaller than the 76% of millennials and 83% of consumers annually earning more than \$100,000 who are highly satisfied.

Satisfaction breeds increased usage. Our study finds that 53% of consumers have increased their use of deferred payment installment plans compared to one year ago. This increase in usage is especially visible among those highly satisfied with their BNPL options. While 61% of highly satisfied consumers reported higher use of BNPL, 47% of those who were somewhat satisfied or less did the same. Our data also shows little difference in customer satisfaction across BNPL providers. This suggests that investing in what users want to see more of in BNPL, such as rewards, may be a way that BNPL providers can differentiate themselves from the pack.

FIGURE 6:

Consumers' satisfaction with BNPL

Share of consumers using BNPL who are very or extremely satisfied with their BNPL options, by demographic and BNPL provider



Source: PYMNTS
 Tracking the Digital Payments Takeover: What BNPL Needs to Win Wider Adoption, August 2023
 N = 620: BNPL users, fielded June 13, 2023 – June 21, 2023

Conclusion

Deferred payment plans are a convenient and powerful way for retailers and merchants to boost sales among customers looking for a financial cushion, especially when making large purchases. Those using credit card installment plans already benefit from wide availability, reward programs and higher credit limits — features BNPL users want. BNPL use is on the rise, especially among Gen Z consumers with less financial standing and older consumers making larger purchases. Yet, to reach new customers and fully unlock BNPL's retail potential, BNPL providers must meet these consumer demands.

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Methodology

Tracking the Digital Payments Takeover: What BNPL Needs to Win Wider Adoption, a PYMNTS and AWS collaboration, examines consumer interest in deferred payment plans such as credit card installments and BNPL. We surveyed a census-balanced panel of 3,140 consumers in the United States between June 13 and June 21 to learn what features they expect from deferred payment plans and how BNPL can meet these expectations and match credit card installment plans in usage. Fifty-one percent of respondents identified as women, 32% had a college degree and the average age was 47.

About

PYMNTS **PYMNTS** 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.



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