



# Buy Now, Pay Later: An Analysis of Key Trends and Consumer Attitudes: Part 2

April 2022

The following report contains select findings from TSG's second Buy Now, Pay Later (BNPL) study conducted in March and April of 2022, including highlights from a new consumer survey, market trends, and year over year comparisons.

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# Introduction

Although Buy Now, Pay Later (BNPL) payment options account for a relatively small amount of total consumer spend, their popularity exploded during the COVID-19 pandemic globally, and have continued to gain in popularity around the world.

In 2021, TSG developed an initial study to better understand BNPL as a phenomenon. During that study, TSG compiled information on various models of BNPL, the rules and regulations regarding BNPL lending, profiles on the most popular (or well-positioned) providers at the time, and the general BNPL market landscape. TSG also conducted a survey of over 1,000 consumers in the U.S. to understand their experiences with BNPL, the psychological reasons consumers were so attracted to BNPL as a payment option (or averse to in some cases), and whether they intended to keep using BNPL options in the future.

Since TSG's first report, there has been considerable development in the BNPL space, with a number of prominent acquisitions, greater integration of BNPL into the payment ecosystem, moves made by incumbent payment players, and massive growth worldwide. Given the abundance of news covering BNPL options both positive and negative, as well as greater consumer familiarity with this type of payment method, it's reasonable to expect that consumer viewpoints may also have shifted.

To gain a better understanding of the current market and emerging trends in the BNPL space, as well as how consumer expectations and experiences have changed in the past year, TSG conducted new research and a second survey in March of 2022. The following mini-report contains select findings pulled from the larger report, available with a subscription to [TSG's eReports](#) service.



# EXECUTIVE SUMMARY

## Global Popularity and Growth

BNPL is a mode of payment that has grown in acceptance over the past few years, especially across Europe, Asia, Australia, and parts of South America. As eCommerce spending increases and the avoidance of credit card debt continue to be a priority to consumers, BNPL is expected to maintain its position as a popular option.

## User Experience (and No Interest) Are Critical

Consumers enjoy BNPL for a variety of reasons, but responses received from over 500 consumers in 2022 showed that the most important factor to them when choosing a BNPL provider is that the offering allows them to make purchases with 'no interest.' The second most important factor was that the option had an easy return policy/process.

## Concerns About Debt Accumulation and Ethics Are Rising

Although some consumers use BNPL to avoid debt, others have reported missing payments, having to pay a late fee, and impulse buying. Calls for additional regulation on BNPL products are ramping up, and this will likely continue.

## Signs of Market Maturity

The verticalization of BNPL offerings in certain industries (e.g., healthcare, travel, home renovation), as well as the number of white-label BNPL providers entering the space and the frequency at which prominent BNPL companies are acquiring smaller lending entities or being acquired themselves, are all initial signs of a maturing BNPL market.

## Select Survey Findings

- 90%** of consumers who had used BNPL options in the past reported that they trusted their primary BNPL provider.
- 88%** of consumers reported never having missed a payment on their BNPL installment loans.
- 60%** of consumers reported that they intended to continue using BNPL options in the future.
- 48%** of consumers reported their usage of credit cards had not changed since they began using BNPL options for payment.
- 43%** of consumers indicated they would not be able to pay back their BNPL plans immediately if the need arose.

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# SELECT HIGHLIGHTS

# Select Highlights

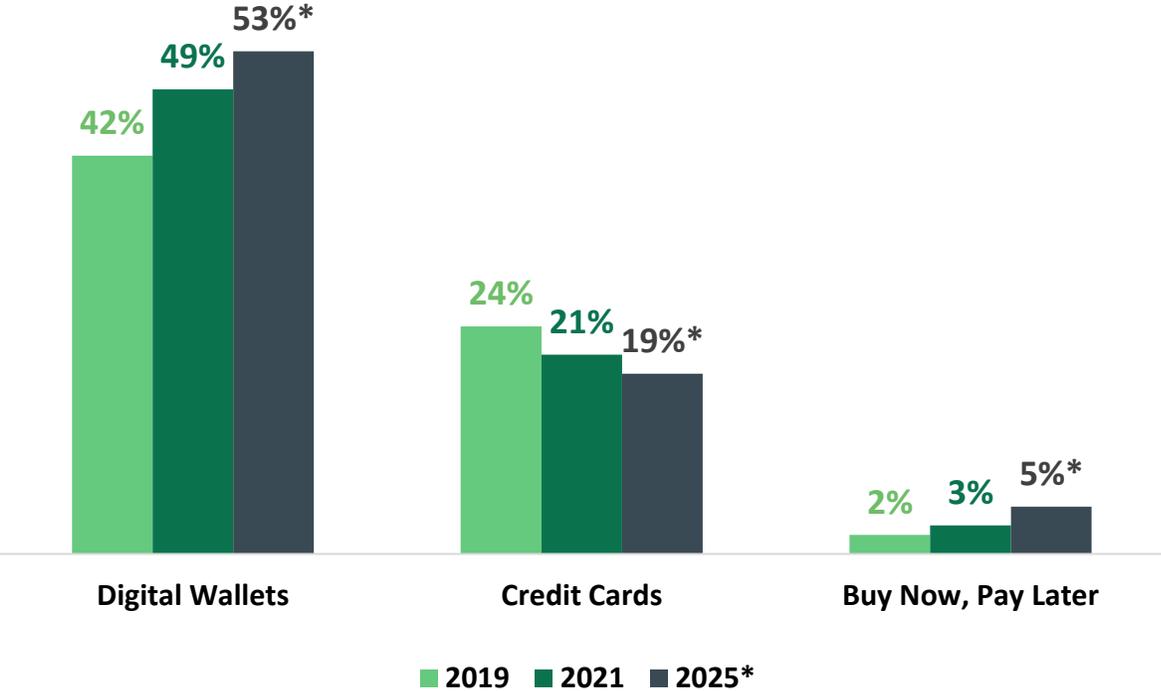
→ State of the BNPL Industry

## The Current State of the BNPL Market

The continuing growth of eCommerce, a desire to avoid debt by younger consumers, financial neediness exacerbated by the COVID-19 pandemic, and payment seamlessness have driven the growth of BNPL options globally over the past few years.

Volume attributable to BNPL spending is expected to continue to grow as installment loans become more and more integrated into the payment ecosystem and top providers (as well as new BNPL startups) continue to forge relationships with merchants. According to one report, the market may be valued at \$90.51 billion by 2029 (compared with \$15.91 billion in 2021). Another report put BNPL payments at 5% of all global eCommerce payments by 2025.

### Global Ecommerce Payment Methods



Source: Financial Express, Fortune Business Insights, Worldpay Global Payment Methods Report 2022

## → Drivers of BNPL

### What Drives BNPL Usage?

The popularity of BNPL can be attributed to a number of economic and social drivers, from the growth of eCommerce to the need for payment options allowing consumers to ‘keep a cushion’ in their accounts during the COVID-19 pandemic, to the general rising popularity of alternative payment methods and desire of younger consumers to avoid credit card debt or lacking the credit score needed to pursue financing through traditional avenues.

However, aside from outside forces, little study has been made of the types of factors consumers look for in a BNPL installment loan product itself. To determine specific features of BNPL products that drive consumer choice and interest, TSG provided a number of different features BNPL loans typically offer, and asked consumers who had used BNPL options to rank the importance of each feature. Responses indicated the most desired features by consumers in an installment product were: a) No interest, b) Easy return policies, c) No late fees, d) A short application process to get started, and e) a corresponding payment app through which purchases can be made.



### Most Important Features of a BNPL Product According to Consumers:

1. No Interest
2. Easy Return Policies
3. No Late Fees
4. Short Application Process
5. Corresponding Payment App

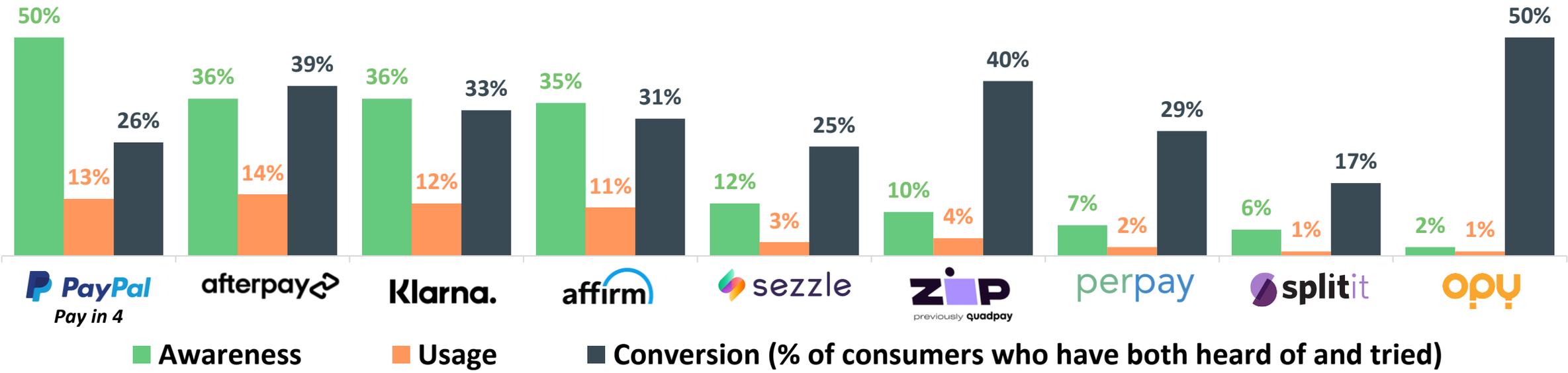
# Select Highlights

➔ Consumer Usage

## Brand Awareness and Conversion

While consumers as a whole reported the greatest brand awareness of PayPal’s Pay in 4, consumers reported using PayPal’s Pay in 4, Afterpay, Klarna, and Affirm at similar rates (between 11% and 14% of consumers reported having tried each brand). After these four core offerings, the frequency at which consumers had tried BNPL services reduced substantially (e.g., only 3% of consumers reported having tried Sezzle).

*Note: Conversion levels may be inflated for brands with small sample sizes (i.e., Zip, Perpay, SplitIt, Openpay).*



Which Buy Now, Pay Later companies have you heard of? Please select all you have heard of. If you have heard of none of these, please select the 'None of the above' option.  
 Have you used any of the following digital Buy Now, Pay Later options? Please select all you have tried.

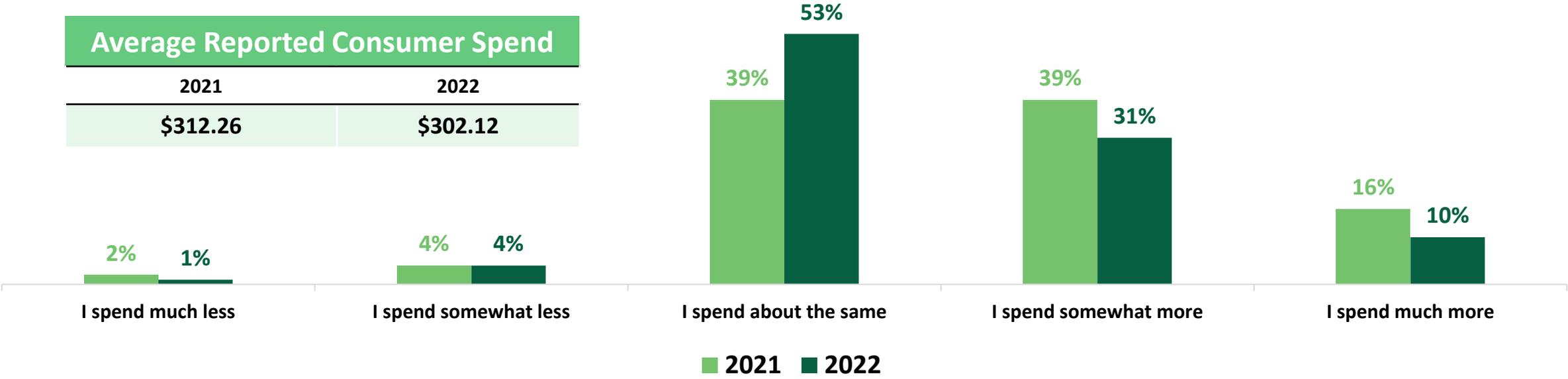
N = 548  
 N = 548

# Select Highlights

## → Consumer Usage

### Spending at Checkout

The average reported spend by consumers using BNPL services remained largely the same in 2022 compared to another survey conducted by TSG the previous year. However, the percent of consumers who report spending the 'same' amount using BNPL as opposed to when they use other payment methods increased in 2022 by 14%. Further, fewer consumers (41% in 2022 vs. 55% in 2021) reported spending more when using BNPL. This could indicate that consumers have better learned how to spend responsibly when utilizing installment payments, or that they are simply spending less overall in the current year.



Compared to other payment methods, how much do you spend at checkout when using a Buy Now, Pay Later option?

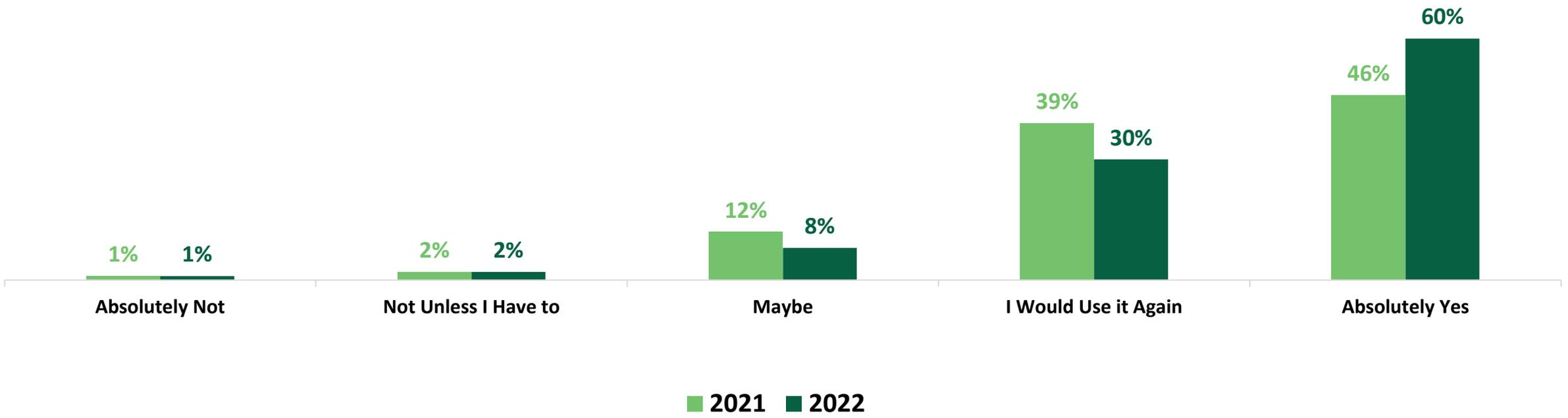
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# Select Highlights

## → Consumer Usage

### Plans to Continue Using BNPL

Compared to 2021, more consumers who had tried BNPL this year reported planning to continue using BNPL services in the future (60% of those asked, up from 46% last year). Generally, the impression of BNPL apps seems to have gained favorability among users over time, with fewer who were unsure (i.e., 'maybe') and a greater proportion who said 'absolutely yes.'



Do you plan to continue using BNPL services in the future?

N = 203

# Select Highlights

## ➔ Consumer Trust

### Do Consumers Trust BNPL Providers?

Trust is of key importance when it comes to BNPL option selection, as some consumers are hesitant to use new technologies or brands they are not familiar with.

Overall, consumer sentiment on their trust in BNPL options was mixed, with some trusting the services they'd tried and others expressing doubt or concerns. However, compared to 2021, the average level of 'trust' reported by consumers was nearly the same (90% compared to 87% in 2021). Thus, not much has changed in the past year, and generally trust remains high.

Average Reported Consumer Trust	
2021	2022
87%	90%

*I trust my primary Buy Now, Pay Later service.*

### Trust

- "I have always had good experiences."*
- "They stand behind their products."*
- "[I've] used them numerous times and haven't had a single issue."*
- "Its never failed me and lets me pick when I pay as long as within 30 days."*
- "So far they haven't done anything to me to not trust them."*
- "They are an established and popular company that I see at my trusted retailers."*

### Distrust

- "I was 1 day late and had 4 calls within an hour of waking up. Rude, hateful, threatening calls that they could not wait 3 days for."*
- "I trust nothing."*
- "I trust them just as much as a regular credit or debit card."*
- "I don't trust [company name] in general anymore. They helped someone defraud my business."*
- "Logging in issues."*

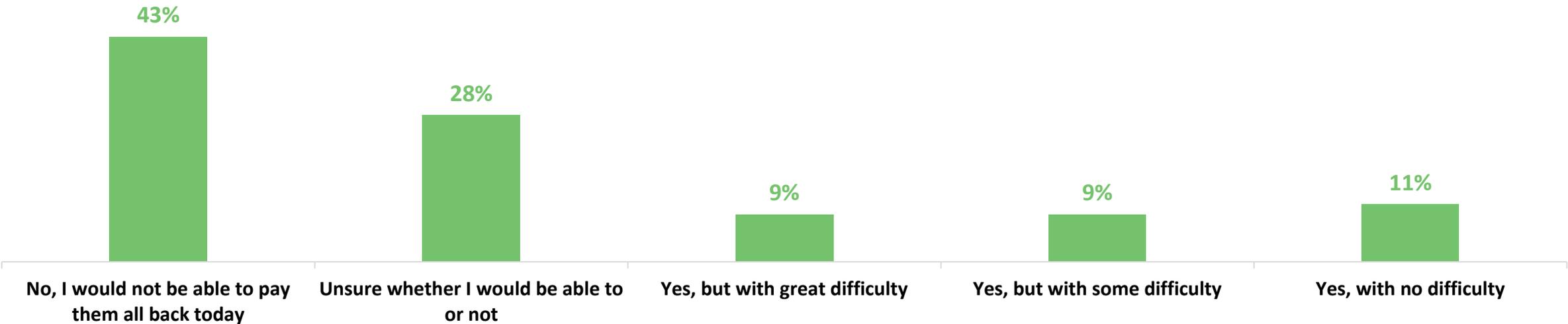
N = 230

# Select Highlights

➔ Continuing Conversations: Predatory Lending or Useful Budgeting Tool?

## Ability to Pay Back Installment Plans

Discussion around the transparency of BNPL options have led to calls for greater research to understand the influence of short-term installment loans on consumers, and whether they are coercive. A key area of study has to do with whether or not BNPL options cause or influence consumer debt. From the current survey, only 29% of consumers indicated they would be able to pay back their BNPL plans immediately if they had to, 28% were unsure and 43% indicated they would not be able to pay them all back if an immediate need arose.



*If a situation arose where you needed to pay back all Buy Now, Pay Later plans you are currently enrolled in immediately (i.e., today), would you be able to pay them all back?*

N = 230

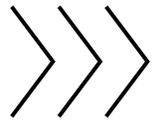
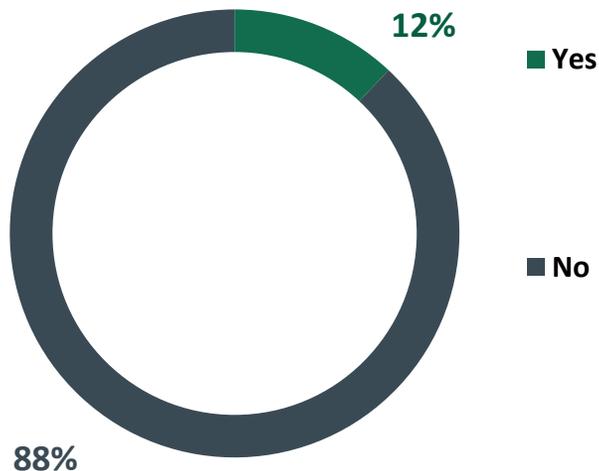
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→ Continuing Conversations: Predatory Lending or Useful Budgeting Tool?

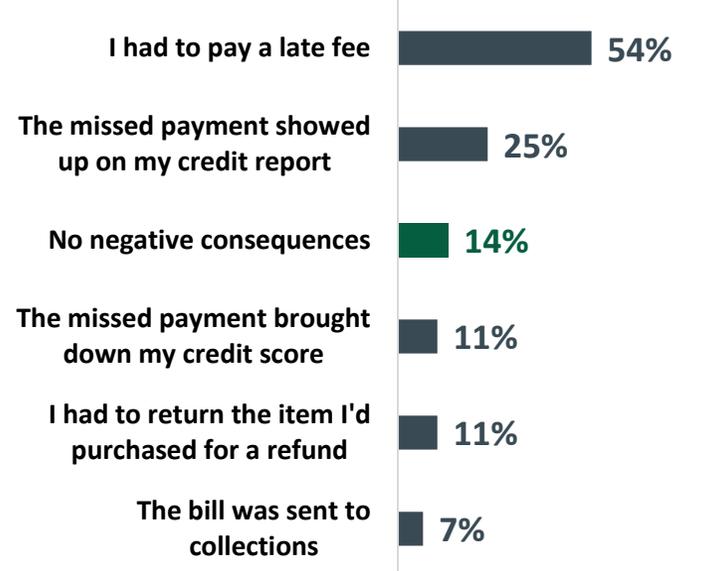
## Missed Payments

Overall, 88% of consumers reported never missing a payment on their installment loans, while 12% indicated they had missed a payment at some point while paying a BNPL plan. Of those who had missed a payment, 54% reported having to pay a late fee, 25% reported the missed payment showed up on their credit report, 14% experienced no negative consequences, and 11% reported their credit score was affected or they had to return the item. Only 7% reported their bill was sent to collections.

Have you ever missed a payment when paying installments on a Buy Now, Pay Later plan?  
N = 230



Did you experience any negative consequences as a result of missing a payment?  
N = 28

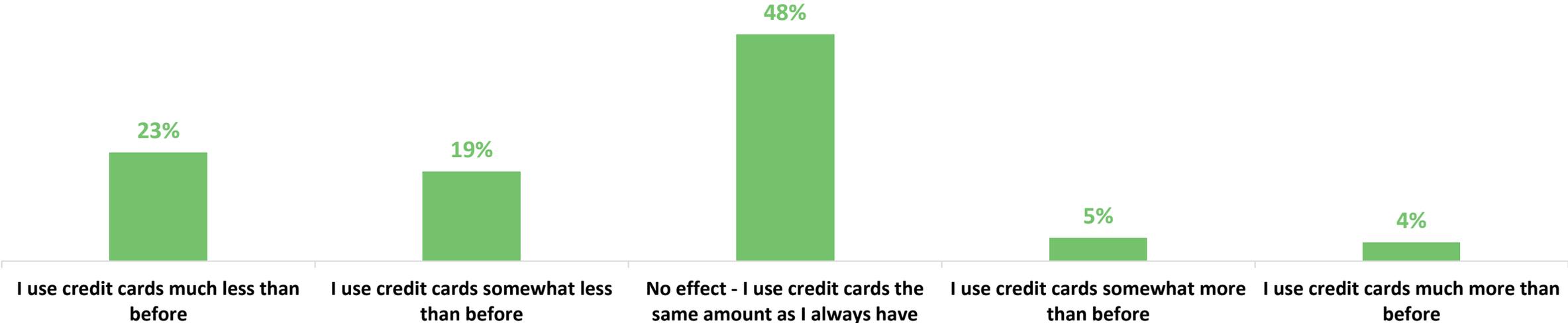


# Select Highlights

## → Impact to Consumer Card Usage

### Use of Credit Cards

The largest group of consumers from the study (48%) reported their usage of credit cards had not changed since they began using BNPL options for payment. A smaller number (42%) reported they were using credit cards somewhat or much less than before they started using BNPL services. Although these numbers are self-reported consumer metrics, they do indicate that using BNPL services may affect how much consumers use credit cards (i.e., the more they use BNPL, the less often they use credit cards).



How would you say your usage of your primary BNPL service has affected your usage of credit cards?

N = 230



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## THE STRAWHECKER GROUP®



The Strawhecker Group (TSG) is a fast-growing analytics and consulting firm. The company serves the entire payments ecosystem, from fintech startups to Fortune 500 companies. The firm provides its clients with advisory services, research and analytics to help them plan and execute their strategic initiatives. Based in Omaha, a recognized payments industry hub, TSG is an established leader in this high-growth, ever-evolving space.



### 25+ Years

Average Associate experience in the payments industry



### 1,000+

Clients advised, including many in the Fortune 500



### 40+

Of the top 50 merchant acquirers served, including 9 of the top 10



### 250+

Completed payments company valuations; as well as ~30 buy/sell/investment advisements



### ~4

### Million

Card-accepting merchants in TSG's AIM analytics platform, driving millions of dollars in ROI for its users



### 400+

Completed Market Intelligence analyses on the global payments landscape, uncovering hundreds of thousands of data points



## Contact Us

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# APPENDIX

## → Buy Now, Pay Later: An Analysis of Key Trends and Consumer Attitudes Part 2

### Objectives

TSG conducted a survey of 548 consumers in the U.S. with the goal of understanding their BNPL usage, attitudes, awareness of various providers, financial health, and interest in BNPL options. The survey was conducted between February 16<sup>th</sup> and March 3<sup>rd</sup> of 2022. All respondents were evaluated to ensure attentive answers were provided.

### Key Research Areas

- Usage of BNPL Plans (e.g., eCommerce vs in-store, providers used, future usage)
- Spending Trends (e.g., missed payments, number of plans open, amount spent)
- Attitudes toward BNPL (e.g., trust, NPS of primary provider, comparison to other purchase options)
- Interest in BNPL Plans Offered by Other Entities (i.e., banks, digital wallets, card networks)



BNPL Influence on Spending



BNPL Feature Importance



Financial Wellness

