

The Buy Now Pay Later Market:

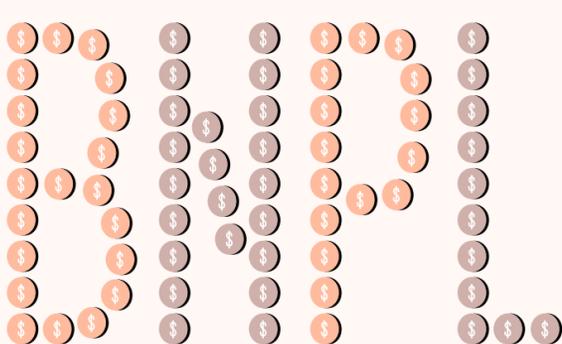
ARE CONSUMERS BUYING IT?

The Buy Now Pay Later, or BNPL, payment system has come into vogue in a big way over the past two years. Major players like Klarna, Afterpay, and Affirm have made it easy for consumers to buy big ticket items and pay them off in an installment plan with minimal terms attached. Interest rates often depend on the price of the item, a customer's credit score, and how long the payment plan is. Some plans even offer a 0% interest rate, making it very attractive for consumers.

This flexibility on financing makes it much easier to purchase large-ticket items and many are choosing this option over credit cards given that interest rate on cards ranges in the 15-25%. This new system has even resulted in credit card companies rolling out similar payment plans that let you pay off purchased items in installment plans with much lower interest rates (or sometimes, 0%).

BNPL also means big business. The industry is growing rapidly as the payment structure reduces friction between retailers and consumers all while ensuring consumers do what they do best: spend money. This has led to a frenzy of BNPL providers, acquisitions, and standalone payment systems. Apple recently announced a partnership with Affirm that would help it sell its pricey items with much more affordable terms.

But are consumers taking to this new style of buying? We dug into some data and found some juicy details.



The Big Business of BNPL

The BNPL industry is, as of 2019, a \$7B dollar industry, but is expected to scale massively and grow **10-15 times its current size** as entrenched players expand their European roots and new players look to gain a foothold in underserved or open markets. Recent moves have already shown the promise BNPL has across the global financial industry.

\$29B

the price Square is paying to acquire the BNPL company Afterpay



\$45.5B

Klarna's valuation after raising nearly \$640M in June 2021, three months after raising \$1B



98%

Affirm's increase in stock price the day of its IPO, reaching a market value of nearly **\$24B**



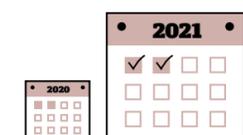
2025

When experts believe the BNPL industry will generate \$1 Trillion in gross merchandise volume



Consumer Adoption of BNPL

BNPL services are becoming more and more popular as new services continue to roll out across various markets and as more and more retailers offer BNPL as a payment option



215%

Year over year increase in BNPL use in the U.S during the first two months of 2021



60%

of customers in the U.S. who used BNPL to finance a purchase in the last 12 months (customers surveyed in June)

\$150

Average order value for a Klarna installment purchase

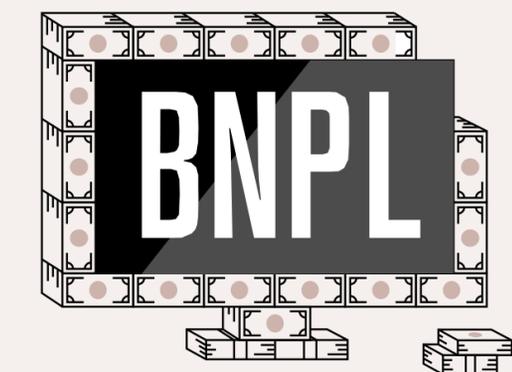
\$100

Average order value for an Afterpay installment purchase



6.5M

Number of U.S. customers Afterpay had at the end of June 2020, double last year's number with triple the sales figure in Q3



How BNPL is Affecting Consumer Behavior

The BNPL industry is also having an impact on consumer behavior. With consumers now having a new and more flexible way of purchasing new products, retailers are seeing an increase in average order values and repeat customers. As the BNPL system becomes widely adopted, we may see major swings across retailers and industries who are eager to adopt BNPL payment options.



48%

Electronics

41%

Clothing and Fashion

39%

Furniture or Appliances

Most common categories of items purchased using BNPL

91%

Percentage of Afterpay users who are repeat customers



55%

Percentage of consumers who say they spend somewhat more or much more because of BNPL options

65%

Percentage of Afterpay customers who have made two purchases within six months of each other

56%

Percentage of respondents in a survey who said they prefer BNPL over credit cards



87%

Increase in average order value for Affirm users

58%

Increase in average order value for Klarna users