



..... THE

GLOBAL STATE OF BNPL

.....
HOW BANKS AND PROVIDERS
CAN CHAMPION AND LEVERAGE
CUSTOMER INTEREST TO SUCCEED
.....





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INTRODUCTION

Buy Now Pay Later (BNPL) is disrupting the payments industry. Its rapid acceleration is due to the convenience and utility it affords consumers and the sales, marketing and operational benefits it offers merchants. As this alternative payment method increases in popularity, what are the evolving trends and predictions across the globe as consumers and merchants continue to drive the phenomenon?

In this whitepaper: “The Global State of Buy Now Pay Later” we will explore the latest insights uncovered by RFI Global’s research, detailing the impacts of the pandemic on payments behaviour and preferences, the drivers behind the growing demand for BNPL globally as well as exploring predictions around how the market will evolve in the future.

FOREWORD FROM OUR CEO

The global financial landscape is constantly evolving. However, the pace of change seen over the past two years as a result of the pandemic is unprecedented. While a shift to digital banking and increase in digital payment methods was already occurring pre-pandemic, it is undeniable that the pandemic accelerated the pace of change and that we can expect to see this shift in customer behaviour endure beyond the pandemic.

Consumers are embracing new channels and payment options and financial services providers are taking note. Over the past two years, we have seen an acceleration in the decline of cash, with digital payment methods filling the gap. This change in customer behaviour has created a further opportunity for BNPL, as more consumer spend has moved online and there has been a shift in attitudes towards credit. RFI Global has tracked Buy Now Pay Later since

its inception as well as how adoption and drivers vary across different markets. Our Global BNPL Tracker measures awareness and usage of leading BNPL brands, drivers of usage, barriers to adoption and much more. The Global State of BNPL report will uncover key data and trends in BNPL and the wider payments landscape. Our team of industry experts will also share recommendations for current players and new entrants.

Read on to discover more.

CHARLES GREEN

FOUNDER AND GROUP CEO



KEY FINDINGS

1 Awareness of BNPL has continued to grow globally. Awareness is highest in Australia (94%), in China (98%), India (98%)¹ and Singapore (80%).*

2 The brands with the highest rates of awareness globally include Afterpay in Australia, the UK and US, Ant Check Later in China, Amazon Pay Later and Flipkart PayLater in India and Atome and Hoolah in Hong Kong and Singapore. PayPal Pay in 4 also sees high rates of awareness across markets.

3 Across markets, it is typically Gen Z and Younger Millennials driving adoption of BNPL.

4 In Australia, Gen Z and Younger Millennials were the early adopters of BNPL but there has been a significant increase in usage among older Millennials and Gen X. This trend can also be observed in markets including the UK and US.

5 A third of consumers globally first used BNPL because they wanted to “give it a try.” Trial is a strong driver of usage in more nascent BNPL markets where dedicated BNPL services have only recently emerged, including India (45%), Singapore (43%) and Hong Kong (40%).

6 The primary barriers to BNPL usage globally include wanting to avoid debt, preference for paying up front for purchases and preference for other payment methods such as cash, credit or debit card. Not wanting to take on debt is the primary barrier across key markets including Australia (48%), China (21%), Hong Kong (35%), Singapore (44%), the UK (51%) and US (45%).

7 There is an opportunity for BNPL to expand into other spend categories.

Almost a third of consumers in Australia and the UK indicate they would use BNPL to pay for everyday expenses such as household bills (38% in Australia, 34% in the UK), groceries (37% in Australia, 29% in the UK) and petrol (27% in Australia and the UK). Consumers in Australia and the UK also report appetite to use BNPL for higher value purchases including electronics, furniture and travel.

8 There is also an opportunity for banks and credit card issuers to compete with 3rd party BNPL providers by offering their own BNPL solutions. Across all markets banks hold a high degree of trust, with consumers more likely to trust banks and card schemes than technology companies and new digital-only providers.

9 For merchants who are yet to accept BNPL, reduced fees are a notable incentive.

10 The benefits of BNPL for merchants range from customer acquisition, increased basket size and higher frequency of customer purchases through improvements in total business revenue and profits.

11 Educating merchants regarding the benefits of BNPL acceptance will be key in markets where BNPL has yet to achieve critical mass.

*In India and China surveys are conducted among banked consumers only

A GROWING PHENOMENON

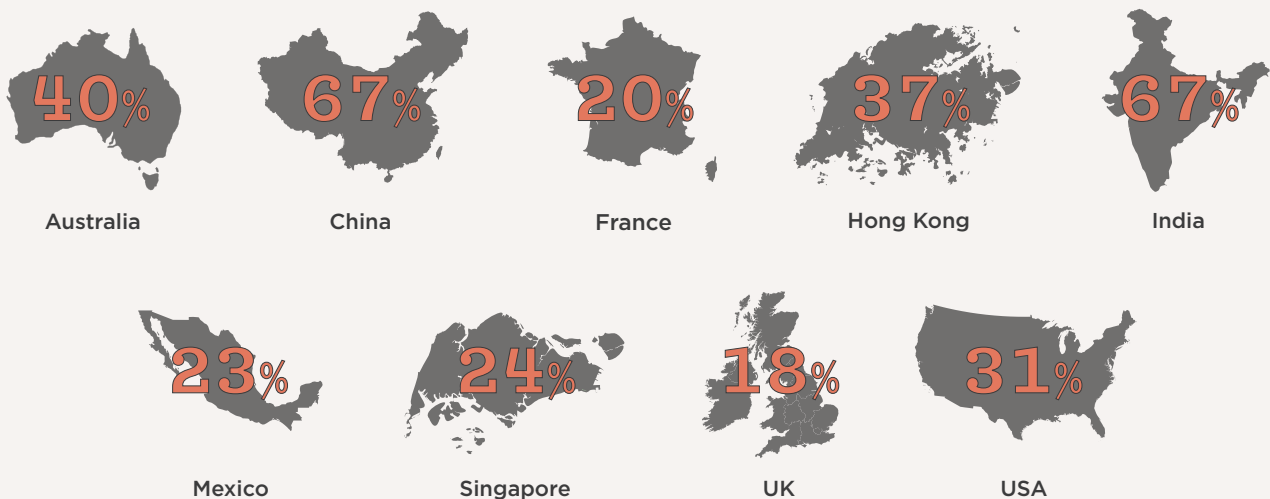
There has been an explosion in usage of BNPL in many markets around the world and millions of consumers now use BNPL to finance their purchases. As of November 2021, over 9 in 10 consumers in Australia were aware of BNPL and 2 in 5 consumers had used a BNPL service, according to RFI Global research, with uptake continuing to increase. Markets like the UK and US also see growing rates of awareness and usage. More than 7 in 10 consumers in the US are aware of BNPL and 3 in 10 have used it. In the UK 8 in 10 consumers are now aware of BNPL and almost 1 in 5 have used it.

A number of Asian markets are starting to leap-frog more established markets for awareness and usage despite BNPL

emerging only relatively recently. The success of Hoolah and Atome in Hong Kong and Singapore is notable, with usage of BNPL in these markets at 37% and 24% of consumers, respectively, with these brands playing a key role. BNPL solutions from established digital payments brands like Alipay and WeChat Pay have also driven awareness and uptake in China, while Amazon PayLater and Flipkart Pay are similarly having an impact in India.

It is important to note that awareness and adoption of BNPL in markets outside of Australia has grown faster, with awareness and understanding of the category globally likely supporting faster uptake in newer BNPL markets.

BNPL usage, key markets



Pureplay BNPL providers such as Klarna, Sezzle and Afterpay/Clearpay are making strides globally. In recent months large corporations have also moved to take a share of the pie. Apple recently announced the launch of BNPL products to rival major providers. Block, previously Square,

made a bold move to acquire Afterpay. As demand grows, it is difficult to ignore the impact. BNPL continues to revolutionise how consumers view and use credit. Who is the core customer and what opportunities lie ahead for both BNPL providers and traditional financial services players?

EXPERT INSIGHT



The growth of BNPL has seen a range of providers enter the space with differentiated value propositions. The variety of options on offer will be good for consumers and merchants, maintaining a high degree of competition and product innovation.



THE BNPL BOOM

HOW DID WE GET HERE?

The pandemic has accelerated digital transformation. As a result, many sectors from retail to banking had to shift to meet changing customer expectations. This digital acceleration changed the minimum requirement needed to serve consumers who, whilst expecting a better experience, were now restricted to digital touchpoints. The decline of cash, increase in contactless payments and shift to ecommerce seen over the last two years further demonstrate how the pandemic has accelerated changes in customer behaviour.

This shift in consumer payments behaviour amplified the opportunity for BNPL, in particular the shift to e-commerce. While BNPL is available as a payment method both in-store and online, BNPL has seen significantly higher take up online. In fact, BNPL is more likely to be used online than in-store in every market where RFI Global conducts research.

Why has BNPL been so successful online? BNPL elevates customers' shopping experience with a convenient and easy process. This benefit to customers is particularly pronounced online, where customers can checkout quickly and easily by clicking a button, rather than manually adding card details. The positioning of BNPL as a button at checkout also helps to ensure this payment method is top of mind for customers when completing the purchase, something that is more difficult to do for an in-store purchase.



KEY DRIVERS OF USAGE

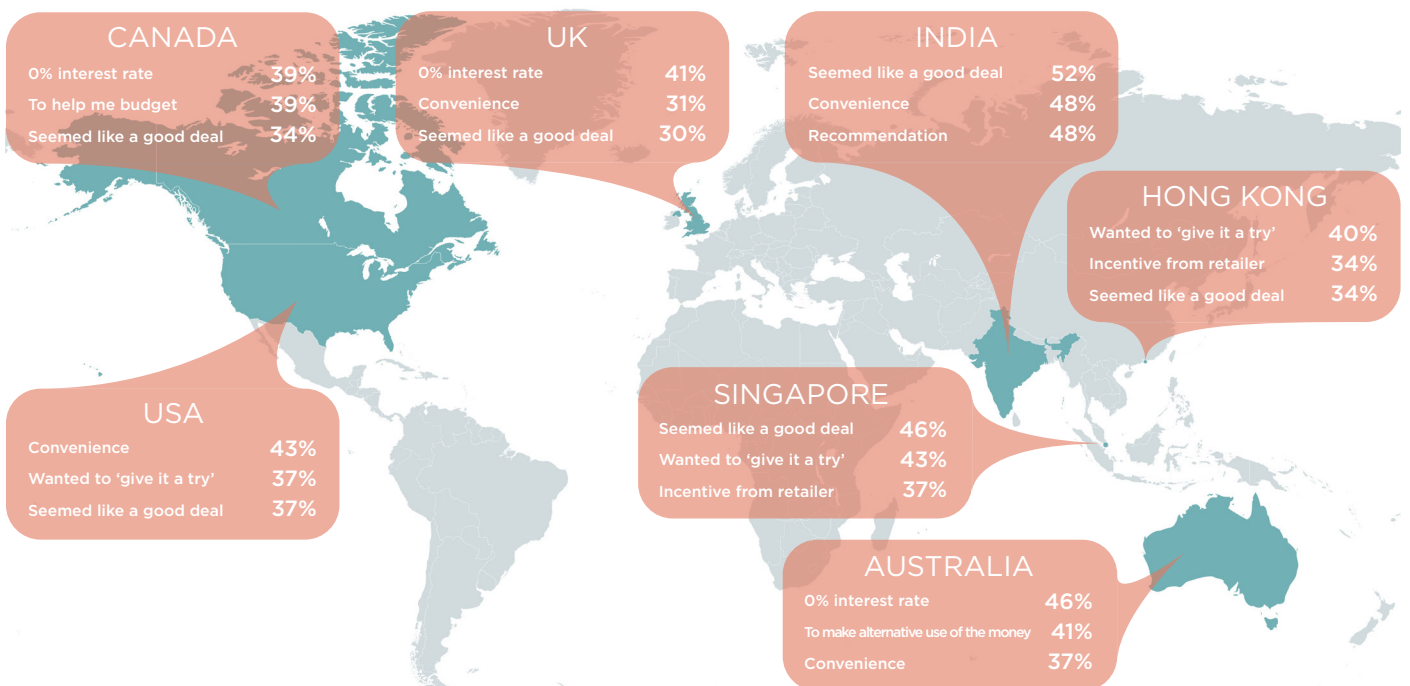
The idea behind instalment lending is nothing new. Businesses have historically offered consumers the option to split the cost of their purchases into installments. What has brought BNPL to the forefront, particularly in leading markets like Australia, the UK and the US is the simplification of the process, coupled with ease of sign up and 0% interest.

A third of consumers globally first used BNPL because they wanted to “give it a try.” Trial is a strong driver of usage in more nascent BNPL markets where dedicated BNPL services have only recently emerged, particularly India (45%), Singapore (43%) and Hong Kong (40%).

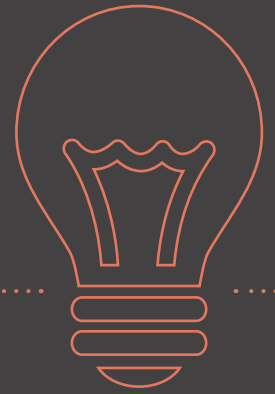
In Australia, Canada and the UK no interest is the leading reason for using BNPL.

Convenience is also a key reason for using BNPL across markets and ranks in the top 3 drivers of usage in the UK (31%), India (48%), US (43%) and Australia (37%). This payment experience and ease of checkout are key factors likely to drive to repeat usage. Frequent users who have great experiences are even willing to pay a fee. 47% of BNPL users in the UK and 49% in Australia say they would still use the provider if fees were attached to the service they offered. It is also important to consider how these drivers are likely to change as the market matures. Looking at a mature market like Australia can help to uncover this. Over time, wanting to ‘give BNPL a try’ has declined as a driver of BNPL usage, while specific features, and charging 0% interest have become more important.

DRIVERS OF BNPL



EXPERT INSIGHT



In Australia we have seen a shift in drivers of adoption over time to become more focused on specific product features such as 0% interest, rather than ‘push’ factors such as being prompted to use BNPL by a salesperson. The trial element remains important as a driver of using new BNPL providers.

In an increasingly crowded market newer BNPL providers can tap into customers’ curiosity, with customers eager to compare newer services to their experiences so far. This means that share of wallet may still be up for grabs, even in more mature markets.



THE DEBT-AVERSE GENERATION:

MILLENNIALS VS GEN Z

There is a sharp distinction in BNPL usage generationally. The typical BNPL user base typically skews towards the

younger demographic and across markets **Millennials (those aged 26-41) are the most likely to have used a BNPL service.**

BNPL use by age in different markets

Usage - by age	Australia	China	France	Hong Kong	India	Mexico	Singapore	UK	US
18-24	63%	89%	21%	27%	73%	21%	27%	25%	38%
25-34	62%	71%	30%	39%	74%	30%	40%	31%	61%
35-44	48%	46%	20%	32%	68%	24%	26%	24%	51%
45-54	38%	82%	19%	44%	54%	16%	16%	19%	21%
55-64	28%	61%	15%	39%	63%	4%	16%	9%	16%
65+	14%	77%	14%	22%	50%	21%	16%	9%	8%
Total	40%	67%	20%	37%	67%	23%	24%	18%	31%



While typically it is younger consumers driving BNPL usage, RFI Global research does show that some markets are seeing relatively high uptake in older generations. **In China, for example, usage is highest among the under 25 segment, followed by consumers aged 45-54. Meanwhile, in India, customers aged 25-34 are the most common users of BNPL, but usage remains high in the 55+ segment.** Particularly in more mature markets, RFI Global research indicates that BNPL uptake is growing among Gen X and Baby Boomers who are keen to try the BNPL phenomenon. Emerging BNPL markets are likely to experience a similar trend, with young

customers leading in terms of adoption but being followed by older generations..

Our research also indicates that the drivers of using BNPL differ by age. Younger BNPL users are more likely to be encouraged to use BNPL for a variety of reasons, with budgeting ranked first. Meanwhile, the proportion of BNPL users who indicate that they used BNPL as no interest was charged increases with age. In Australia, for example, **24% of BNPL users aged 18-24 say they have used BNPL because no interest was charged, increasing to close to 50% of BNPL users aged 55 and over.**

Why did you first use BNPL? BNPL users in Australia - By age

	18-24	25-34	35-44	45-54	55-64	65-80
To help me budget/ manage my spending	39%	39%	34%	30%	44%	43%
No interest was charged i.e. no cost to pay this way	24%	28%	32%	36%	48%	49%
I just wanted to give it a try	34%	37%	35%	31%	36%	36%
Easy for me to shop with the brands I like	36%	33%	37%	35%	36%	32%
I didn't have the money available to make the purchase in full	37%	31%	28%	36%	36%	39%
Not having to pay for the purchase in full upfront meant I could make better/alternative use of my money	32%	36%	31%	33%	33%	34%
It was the most convenient way for me to pay	29%	31%	26%	31%	38%	41%
It seemed like a good deal	24%	32%	24%	28%	35%	28%
Friend or family member recommended it	25%	21%	17%	12%	17%	8%
I saw advertising about this brand/provider	24%	17%	15%	12%	11%	11%
I was making a specific purchase (e.g. solar) and this was the best way to pay	12%	17%	16%	9%	12%	15%
Salesperson recommended it	12%	17%	9%	8%	7%	8%
There was an incentive to pay this way e.g. a discount	3%	2%	3%	9%	7%	7%

With younger consumers driving adoption of BNPL across markets, traditional providers will need to come to terms with the fact that BNPL will increasingly be the first credit product that these customers

use. This will impact customer expectations of other credit products, in particular credit cards. It is likely that entry level credit card propositions will need to adapt to meet this changing need and expectation.

EXPERT INSIGHT



While younger consumers have been the early flag bearers for BNPL, future growth will depend on increasing adoption among older consumers.

We are now starting to see older consumers turn to BNPL in growing numbers.



IMPACTS ON TRADITIONAL CREDIT PRODUCTS

BNPL is changing younger consumers' experiences with credit. Gen Z have been among the early adopters and keen users of this payment method and, as a result, this younger generation of consumers are increasingly using BNPL as their first ever credit product.

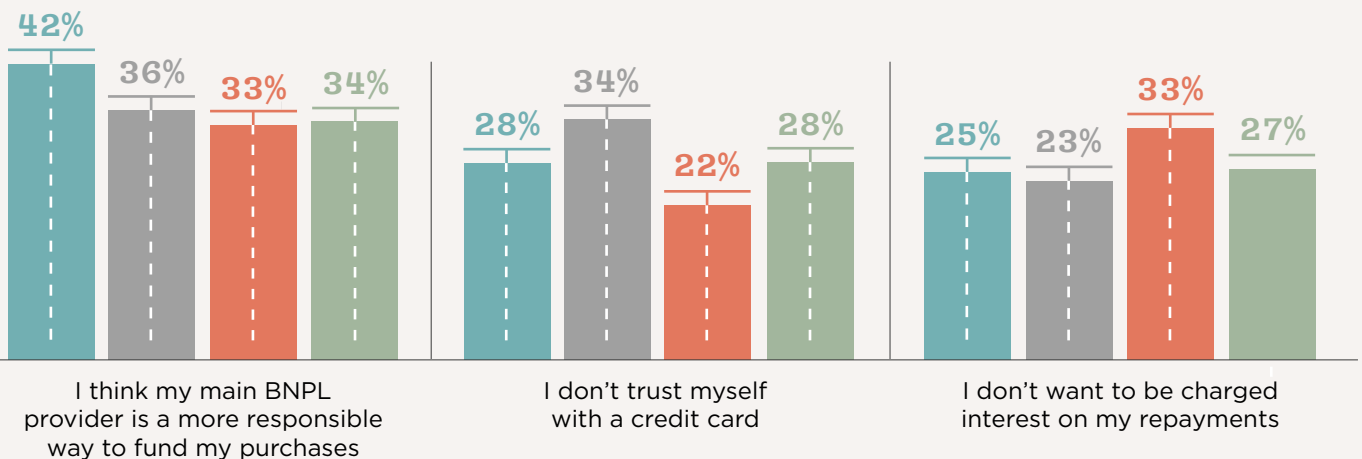
RFI Global research in the UK also shows that a key driver of BNPL usage is that it helps users to budget and manage their cashflow. This attribute appears to appeal to younger consumers who are less confident managing their money and are less experienced when it comes to repaying credit. RFI Global's research in the UK also shows that BNPL users see BNPL as a more 'responsible' way to fund purchases compared to a credit card. We can expect that BNPL will continue to be a compelling proposition for younger demographics, providing them with the financial flexibility to fund their purchases and offering them more control over their cash flow and budget.



You have indicated you don't hold a credit card. Why is this?

BNPL users in the UK who do not hold a credit card by BNPL engagement

■ Highly engaged BNPL users (use BNPL once a month or more)
 ■ Engaged BNPL users (use BNPL every couple of months)
 ■ Less engaged BNPL users (used BNPL once or twice)
 ■ Total





Gen Z and Millennials are the early adopters of BNPL as it gives them a sense of control over their money. It will be interesting to see how this BNPL-first generation will respond to traditional credit products. We can expect some of these customers to put off taking out a credit card, with BNPL meeting their immediate needs. We can also expect that these customers will want and value different features from traditional credit products compared to previous generations.



KATE WILSON

GLOBAL HEAD - CONSUMER CREDIT,
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AT RFI GLOBAL



THE MERCHANT BENEFITS OF BNPL

As more BNPL services enter the market and with the rising rates of consumer awareness and usage, BNPL is a trend merchants cannot afford to ignore. Increasingly, consumers expect to see this option at the checkout and are making purchasing decisions based on not just BNPL acceptance, but the availability of their preferred service.

RFI Global's research into the merchant experience of accepting BNPL identifies that across markets merchants are increasingly offering BNPL services to their customers and in turn are reaping a range of benefits.

While many view BNPL as a form of short-term borrowing, the ability to offer credit

terms is typically not the primary reason that merchants initially offer these services to their customers. Instead, merchants are choosing to begin offering BNPL for a variety of other reasons, leading among these is the ability to offer a better payment experience to their customers, particularly in an e-commerce setting.

Across merchants surveyed by RFI in Canada, the USA and the UK, improved convenience for customers is one of, if not the top reason that merchants initially began accepting BNPL. This customer-centricity is also evident in other drivers of uptake, with customer demand for BNPL also being a top driver of BNPL adoption among merchants.

Top reasons merchants initially began offering BNPL to their customers



This was an easy/convenient way for customers to pay **(40%)**

Offering BNPL would increase the total volume of purchases **(36%)**

Offering BNPL would increase the average value of purchases **(28%)**



To help increase the business' online sales **(40%)**

This was an easy/convenient way for customers to pay **(39%)**

I thought the business needed to offer this to remain competitive **(39%)**



This was an easy/convenient way for customers to pay **(31%)**

Offering BNPL would increase the average value of purchases **(27%)**

To help increase the business' online sales **(25%)**

Although it may be their customers that drive merchants to initially offer BNPL, this does not mean that the business itself does not benefit from the acceptance of BNPL. Among those merchants that accept BNPL across Australia, the UK, the US and Canada, the vast majority have seen benefits to key business metrics since they began to accept BNPL. These benefits range from customer acquisition, increased basket size and higher frequency of customer purchases through improvements

in total business revenue and profits. Indeed, only a small fraction of the merchants surveyed by RFI Global indicated that accepting BNPL had seen business profits negatively impacted as a result of accepting BNPL, far outweighed by those that had seen profits increasing. This overwhelmingly positive impact highlights the significant potential upside to merchants represented by BNPL, and points to strong potential gains as we see BNPL gaining traction across more markets.

EXPERT INSIGHT



By offering BNPL, merchants have responded to customer demand. Yet, in doing so, they have found that BNPL offers a range of benefits including boosted customer acquisition and retention, increased average basket size and higher overall sales. The realisation of these benefits has helped embed BNPL acceptance.

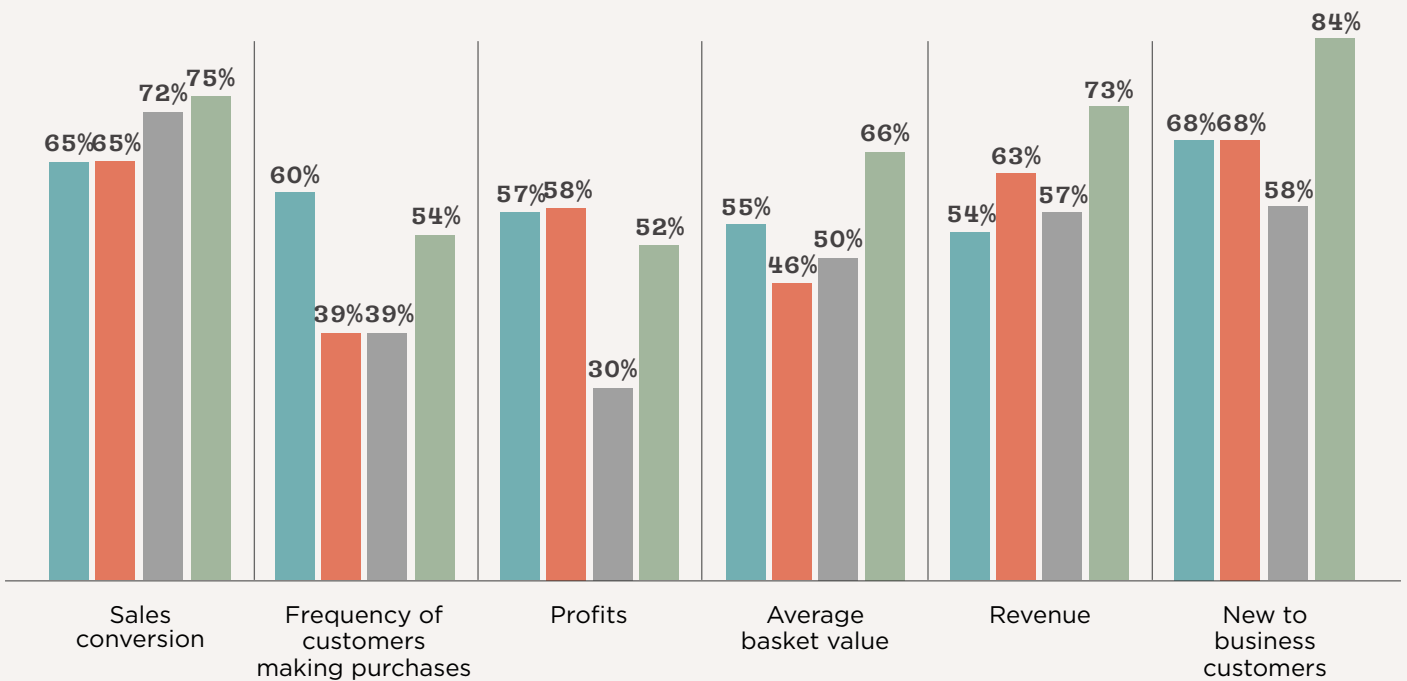


THE MERCHANT BENEFITS OF BNPL



Proportion of BNPL-accepting merchants that have seen improvements in the following areas since beginning to accept BNPL

AU CA UK US



Educating merchants regarding the benefits of BNPL acceptance will be key in markets where BNPL has yet to achieve critical mass. When comparing the perceived benefits of BNPL acceptance among those merchants that do not accept BNPL to the actual benefits experienced by those that do accept BNPL, there is a consistent theme that emerges across markets; namely, that non-accepting merchants significantly underestimate the benefits that BNPL

acceptance could deliver to their business. Using the US as an example, the benefits experienced by BNPL-accepting merchants in every instance outweigh the anticipated benefits among non-accepting merchants. By educating merchants regarding the actual benefits that BNPL can bring, providers can help to accelerate BNPL adoption, particularly in markets where merchants are less familiar with the details of the BNPL model.



The best proponents of BNPL are likely to be the merchants that have seen it deliver tangible benefits to their business, benefits that in many cases have exceeded expectation. Sharing the experiences of these merchants will be an effective means of converting currently non-accepting merchants.



MARK SCHULTZ

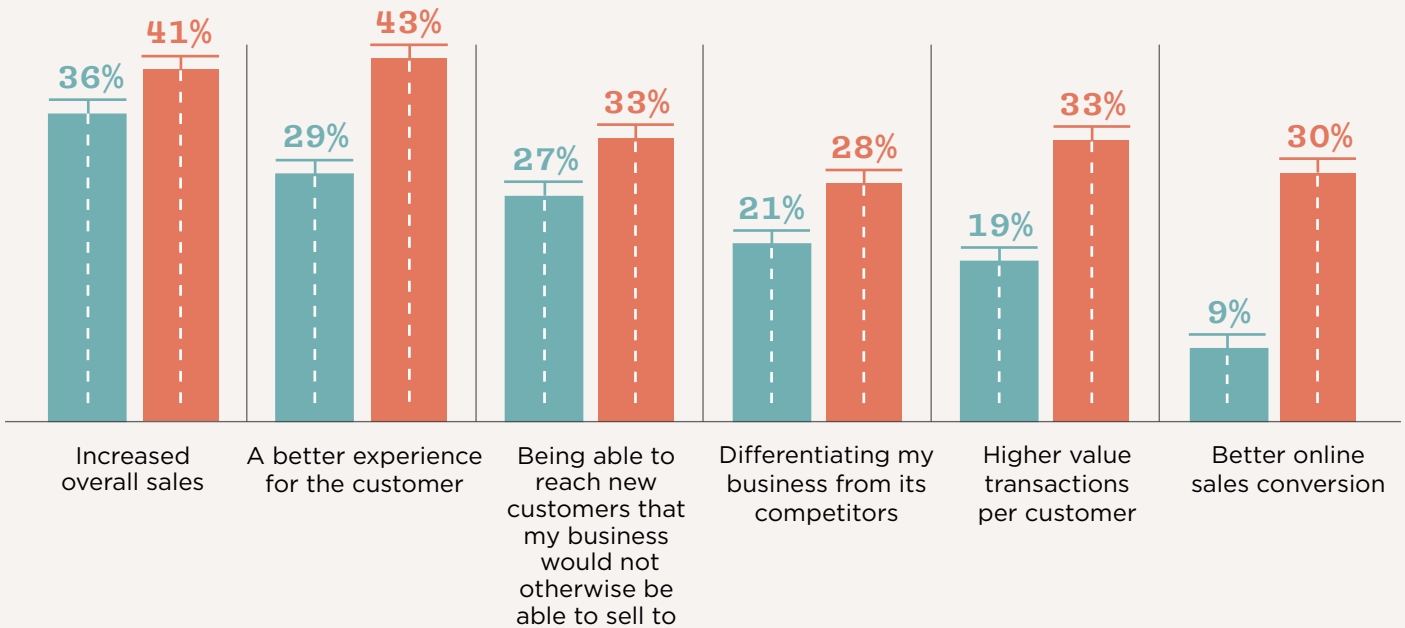
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THE MERCHANT BENEFITS OF BNPL

Anticipated vs. actual benefits of BNPL acceptance among US merchants

■ Anticipated benefit among non-accepting merchants ■ Actual benefit among accepting merchants



This lack of awareness is evident again when looking at the barriers to BNPL adoption. Among non-accepting merchants that are not interested in offering BNPL to their customers, regardless of market, one of the most common barriers to BNPL adoption is a lack of perceived benefits. This barrier goes together with the lack of understanding around the core BNPL

value proposition. Merchants that do not understand BNPL are unaware of the value it can bring to their customers and their business and often see it as not relevant and are therefore uninterested in partnering with BNPL services. Bridging this gap between awareness and understanding will be key to driving adoption of BNPL globally.

Top reasons non-accepting merchants are not interested in offering BNPL



I don't think it is relevant for my business **(58%)**

I don't think the benefits would justify the cost **(27%)**

I am concerned that the business would be exposed to credit risk **(24%)**



I don't think it is relevant for my business **(57%)**

I don't think the benefits would justify the cost **(30%)**

I don't think my customers would use it **(19%)**



I don't think it is relevant for my business **(52%)**

I don't think the benefits would justify the cost **(29%)**

I am concerned that the business would be exposed to credit risk **(27%)**



The credit market needs to be brought into the 21st Century, evolving to meet consumer and retailers' needs whilst ensuring high levels of customer protection. The current credit market offers limited choices for retailers looking to offer payment flexibility to their customers, with high-interest loans and short-term unregulated credit, the first port of call for many looking to make big life purchases.

Humm will bring much needed competition to the consumer credit market, providing flexible credit options for UK retailers to offer their customers, and improving the breadth of products consumers can choose from throughout their financial lifetime.



PJ BYRNE

CHIEF EXECUTIVE OFFICER
HUMM GROUP UK & IRELAND



THE FUTURE OF BNPL

PREDICTIONS AND RECOMMENDATIONS FOR INDUSTRY LEADERS

The payments landscape continues to evolve rapidly with BNPL being a key driver of change in many markets globally. RFI Global’s research into this space across markets provides insight into what we can expect to happen next and the actions that market participants should take in response.

1 BNPL WILL EXPAND INTO A WIDER RANGE OF INDUSTRIES AND SPEND CATEGORIES

Currently, online retail accounts for the majority of BNPL purchases. According to RFI Global research, 1 in 5 online clothing purchases in Australia in 2021 were paid for with BNPL. Clothing is also the most common purchase category for BNPL in other markets including the UK and US.

Yet, across markets there is growing interest in using BNPL for higher value items such as travel, home improvements and medical expenses. In the UK, for example, the majority of BNPL users report being interested in using BNPL for these types of purchases and 1 in 5 users are comfortable using BNPL for purchases of over £500. Similarly in Australia more than 80% of BNPL users are now comfortable using BNPL for purchases of AUD1,000. Generally, we can expect that the maximum limit customers are willing to use BNPL will continue to increase over time.



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While BNPL has seen significant traction in lower value spend categories, these findings suggest there is as yet unrealised opportunity for BNPL to capture spend on bigger ticket items. Several BNPL services are now vying to win this market with specific propositions tailored to these types of purchases such as Fly Now, Pay Later and Butter in the UK who are targeting travel spend. It is imperative that BNPL providers move their propositions and messaging up the value spectrum to capture a larger share of users’ wallets and to maintain growth as a saturation point is reached in the lower value space.



With the continued adoption of BNPL comes next-generation BNPL 2.0. Solutions built for meaningful life events in healthcare, veterinary, dental, auto service & repair, education services, home repair, and more.

As demand increases for alternative payments solutions in these non-discretionary verticals, merchants and consumers increasingly distinguish evolved BNPL 2.0 offerings from BNPL 1.0 and POS lenders. Opy's flat fee solution scales longer and available instantly at point of need, delivering more responsible terms than continuously compounding POS credit products.

Imagine a \$5,000 emergency dental surgery. A three-fortnight "pay in four" solution is largely ineffective for such a high-value purchase. But the alternative - a 36% APR deferred-interest POS credit product - often leads to poor consumer outcomes and complaints. Opy offers the BNPL 2.0 alternative: a simple fixed-fee closed-end instalment of up to 24 months, presented in partnership with the dentist; harnessing the power of embedded finance while lending responsibly at the point of need.



BRIAN SHNIDERMAN

OPENPAY US CEO AND OPENPAY
GLOBAL CHIEF STRATEGY OFFICER



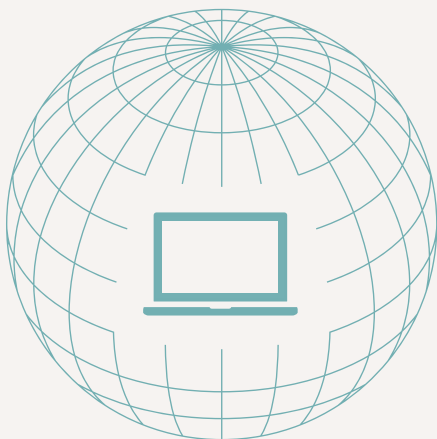
THE FUTURE OF BNPL

PREDICTIONS AND RECOMMENDATIONS FOR INDUSTRY LEADERS

2 THERE WILL BE A BIGGER BNPL PUSH INTO OFFLINE

Across markets, BNPL has seen much more success online in comparison to in-store. Going forwards, we can expect BNPL providers to push more actively offline to grow share of wallet, in the same industries and categories where BNPL has already seen online success.

In part, the online success of BNPL stems from it being top of mind for customers when completing their purchase. In fact, RFI Global research in the UK and Australia indicates that the majority of BNPL users decide to use BNPL to complete their purchase during the checkout process, rather than knowing they will use BNPL before they begin researching the product.



BNPL also provides customers with a quick and easy online checkout experience, removing friction in comparison to entering card details. There is a need to simplify the BNPL checkout experience for instore purchases, as well as growing awareness of BNPL acceptance in-store, to drive further uptake for offline purchases. The provision of physical or virtual debit cards can help to facilitate this and we are likely to see more BNPL providers enhancing their products in this way. In the UK Klarna recently launched a physical debit card, while Zip in Australia has chosen to offer a virtual card within a mobile wallet.

THE FUTURE OF BNPL

PREDICTIONS AND RECOMMENDATIONS FOR INDUSTRY LEADERS

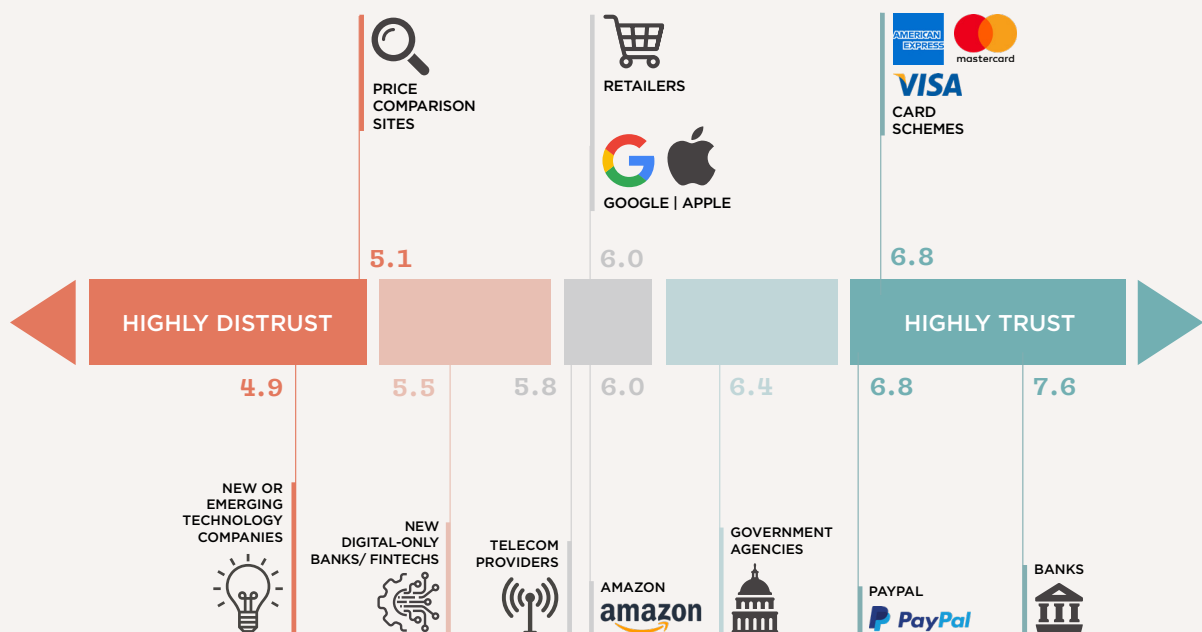
3 WE WILL SEE FURTHER PARTNERSHIPS IN THE BNPL SPACE

Already, a number of partnerships have emerged between players in the payments ecosystem as a result of the emergence of BNPL. In Australia CBA has partnered with Klarna to bring the service to the local market and Westpac has entered a Banking as a Service partnership with Afterpay to allow Afterpay to offer deposit products. We can expect this trend to continue, especially in other markets where BNPL is moving towards maturity. Partnerships between pureplay BNPL providers and banks can provide

significant opportunities for growth for both partners by leveraging their relative strengths.

Partnerships between traditional providers and dedicated BNPL services present the platform to offer customers the ultimate BNPL solution by combining the customer experience offered by BNPL players with the perceptions of trust and security that benefit more traditional players, notably banks who are more trusted than any other type of financial services industry participant.

Please indicate the extent to which you trust the following to keep your money safe
Average score out of 10 - Global Average



THE FUTURE OF BNPL

PREDICTIONS AND RECOMMENDATIONS FOR INDUSTRY LEADERS

4 BANK OFFERED BNPL ‘LIKE’ PRODUCTS WILL EMERGE IN MORE MARKETS

In more mature BNPL markets such as Australia, banks have already begun to roll out new products and services in response to the success of BNPL. This has taken the form of both dedicated BNPL services similar to those on offer from pureplay BNPL providers e.g., CBA launched StepPay in 2021, and alternative interest free solutions. Three of the four major Australian banks, CBA, Westpac and NAB, have all launched interest free credit cards. The option to move credit card purchases onto lower interest instalment plans has also become more widely available from Australian credit card issuers.

This trend will continue in other markets as traditional providers look to protect revenue streams from BNPL. Already in Europe we have seen Santander

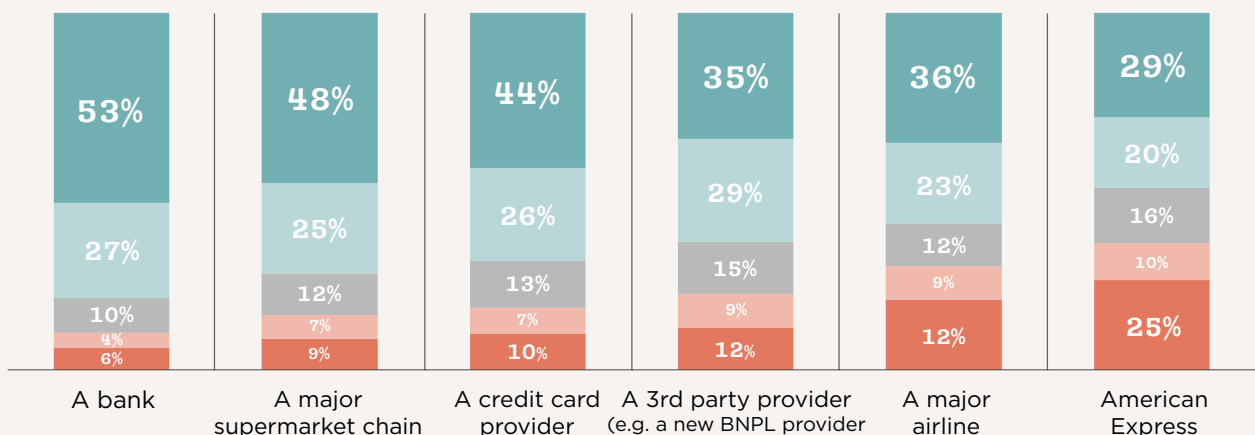
launching its own “buy now, pay later” app Zinia.

RFI Global research has consistently found that consumers are interested in BNPL services offered by banks. For example, in the UK, 53% of BNPL users would consider a BNPL solution from their bank to be extremely appealing, compared to 35% who would consider a 3rd party service appealing. This outcome is driven by BNPL users believing that a bank provided service would offer better security and wider acceptance. Banks already hold customers’ trust, and this will be a key advantage in competing with fintech BNPL players. As banks move further into the BNPL space it will be critical that they adopt the mindset of BNPL providers, a mindset that prioritises flexibility and customer experience.

How appealing would you consider a new Buy Now Pay Later service if introduced by the following providers?

UK BNPL users

■ Not at all appealing (0-2) ■ Unappealing (3-4) ■ Neutral (5) ■ Appealing (6-7) ■ Extremely appealing (8-10)



THE FUTURE OF BNPL

PREDICTIONS AND RECOMMENDATIONS FOR INDUSTRY LEADERS

5 SUCCESSFUL ADOPTION OF BNPL AMONG MERCHANTS WILL BE FUELED BY EDUCATION

Across markets, there is a clear underestimation of the benefits of BNPL acceptance among non-accepting merchants. This is evident in the barriers to BNPL adoption - merchants underappreciate the benefits of BNPL acceptance, and therefore believe it is not relevant to their business and/or believe the benefits do not justify the cost of acceptance.

If BNPL services are to successfully gain traction globally, providers will need to ensure that they continue to deliver value to merchants above and beyond

the cost of acceptance. However, an even greater challenge may lie in educating the merchant population at large regarding the benefits of BNPL acceptance, thereby allowing merchants to make an informed decision of whether to offer BNPL to their customers. The success of BNPL thus far has been based on a strong proposition for both consumers and merchants. It is therefore imperative that providers continue to focus on a dual consumer-merchant approach to customer acquisition and retention.





Buy Now Pay Later has been so successful because its value proposition for both consumers and merchants has been equal and compelling, driving demand and acceptance across the board.



ALEX BOORMAN

CHIEF PRODUCT OFFICER
AT RFI GLOBAL



ABOUT THIS REPORT

Data in this report has been sourced from RFI Global's consumer and merchant research studies in a number of key global markets.



CONSUMER RESEARCH

The Global BNPL Tracker (Consumer) provides insight into consumer attitudes towards the Buy Now Pay Later (BNPL) market and broader payments landscape across 11 markets.

In each market a nationally representative cohort of banked adult consumers are interviewed about their awareness and experience of using BNPL. Research is conducted bi-annually via online surveys.

Respondents: UK n=2,000; US n=1,000; Canada n=1,000; Australia n=2,000; New Zealand n=2,000, Mainland China n=1,000; Hong Kong n=1,000; India n=1,000; Singapore n=1,000; Mexico n=1,000; France n=1,000;

MERCHANT RESEARCH

The Global BNPL Tracker (Merchant) provides insight into merchant experiences of accepting Buy Now Pay Later (BNPL) across 4 markets.

In each market 1000 merchants are interviewed about their awareness and experience of accepting BNPL. Research is conducted bi-annually via online surveys.





ABOUT RFI GLOBAL

RFI Global is a leading global data & insights company exclusively focused on financial services. Our expertise provides industry leaders with market research, data solutions and financial insights that elevate strategies, providing clarity and turning questions into data-driven action.

Our clients range from Global and Regional Banks to Fintechs, Consultancies and Regulators in 48 markets.

Our global and regional insights pinpoint trends, predict future consumer behaviour, sentiment and identify outliers. Since 2006, our data-driven insights, actionable recommendations and unparalleled intelligence have helped remove uncertainty from the decision-making process of leading financial service providers.

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