



# THE RISE OF BUY NOW PAY LATER (BNPL)

**SANKARAN MEENAKSHI SUNDARAM**

sankaransms94@gmail.com

## Subjective research case study

Subjective case studies delve into the detailed examination of the given topic, using qualitative methods to explore experiences, perspectives, and outcomes. This study aims to provide an in-depth understanding of the complexities, motivations, and unique elements surrounding the topic. The main goal is to inculcate the research spirit and develop an approach to understanding how an industry grows and solves its problems.

### The topic of the study:

The Rise of Buy Now, Pay Later (BNPL)

Explore the growth of BNPL services and assess their impact on consumer spending habits and credit risk in the fintech sector.

### Expectations:

The envisioned case study should offer a holistic view of BNPL, encompassing its inception, growth trajectory, market penetration, and its multifaceted impact on consumers, businesses, and the e-commerce ecosystem.

- In-depth Exploration: Provide a detailed understanding of subjective research, perspectives, and approaches related to the subject.
- Insightful Analysis: Offer interpretations, insights, and connections that shed light on the subject's unique aspects.
  - Present data gathered from blogs, studies, reports, surveys, or analysis.
  - Highlight key themes, challenges, success factors, and differences for the study.
- Contribution to Knowledge: Contribute new knowledge or perspectives to the field by filling gaps or offering novel insights.

Remember, the structure and approach may vary based on the approach and the purpose of the study, so adapt as necessary while ensuring a comprehensive and insightful exploration of the case.

There is no exact right or wrong answer the thought process behind it is important

### Topics for research:

- What is the Buy Now Pay Later business model and how does it function?
- How has this payment method grown recently and how has it influenced how people shop
  - Consumer Behaviour Analysis
- Explore the reasons behind its growth like simplicity, flexibility etc.
- What segment of users are most attracted by it and what are the categories growing.
- What are the impacts on businesses?
- Compare Indian companies offering Buy Now Pay Later services with those in the global market.
- What are the advantages and disadvantages for both consumers and companies using this payment method?

## The Rise of Buy Now, Pay Later (BNPL)

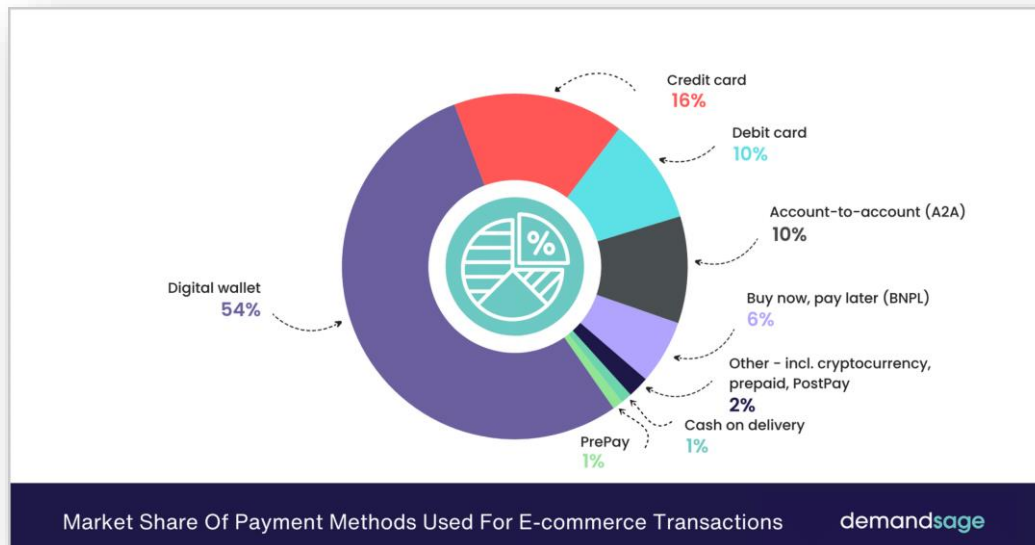


### Abstract:

This research explores the Buy Now, Pay Later (BNPL) business model, examining its growth, impact on consumers and businesses, and its current landscape in India. The study analyses the factors driving BNPL's popularity, including consumer behaviour shifts and the role of technology. It investigates the advantages and disadvantages of BNPL for both consumers and businesses, highlighting the potential for overspending, debt accumulation, and increased merchant fees. Furthermore, the research compares the Indian BNPL market with the global landscape, identifying opportunities and challenges for Indian companies. By understanding the dynamics of BNPL, this research contributes to the knowledge base on this emerging payment method and its implications for the financial industry.

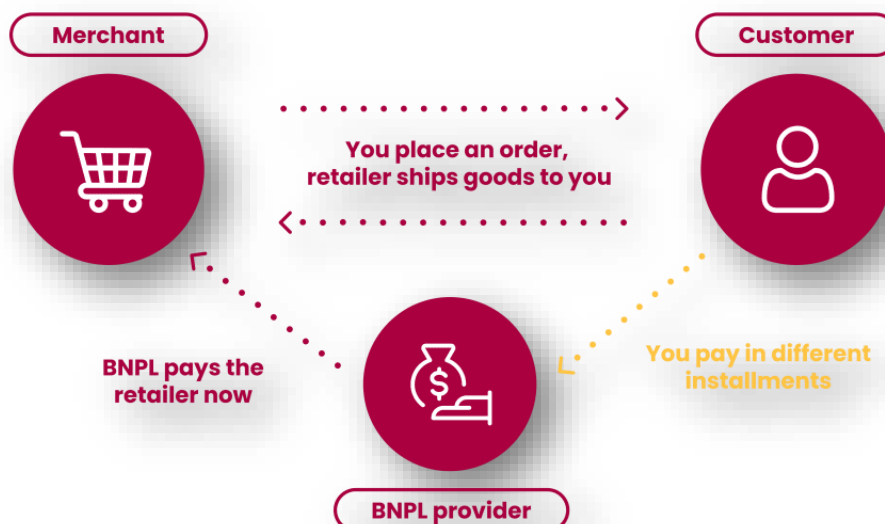
### Introduction:

Buy Now, Pay Later (BNPL) is a short-term financing option that allows consumers to purchase goods or services and pay for them in instalments over a fixed period, typically interest-free. This model has gained significant traction in recent years, driven by the increasing popularity of e-commerce and the desire for flexible payment options. BNPL providers typically generate revenue through merchant fees, late fees, and interest charges on certain plans. By offering a seamless checkout experience and instant credit decisions, BNPL platforms have disrupted traditional credit card usage and attracted a younger demographic. However, concerns around potential consumer debt and regulatory oversight have also emerged.



## How does it function?

The BNPL business model offers significant benefits to merchants. By integrating BNPL options into their checkout process, retailers can increase average order value, boost sales conversion rates, and attract a wider customer base. BNPL providers typically charge merchants a fee for each transaction, and in some cases, share revenue from interest or late fees. Additionally, BNPL can improve customer satisfaction by offering flexible payment options, which can lead to increased customer loyalty and repeat purchases. However, merchants should also consider potential risks such as increased chargeback rates and the impact of delayed payments on cash flow.



## How has this payment method grown recently?

### Top BNPL Statistics 2024:

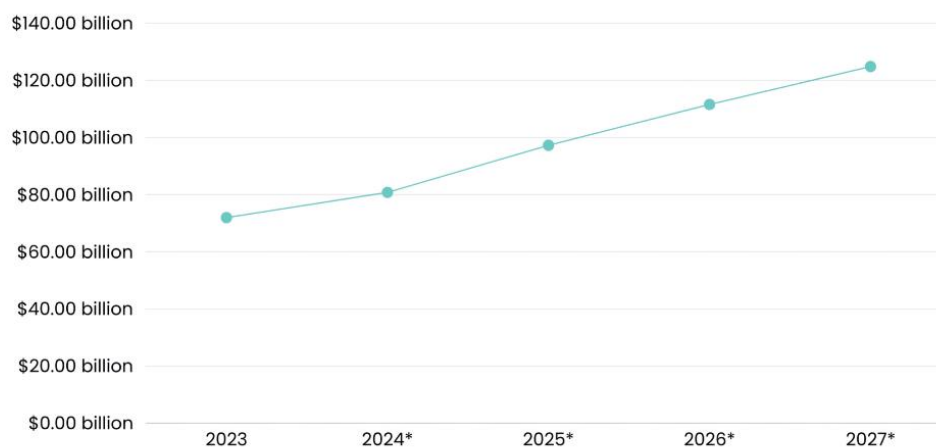
- As of **2024**, there are over **360 million BNPL** users worldwide.
- BNPL users are estimated to grow by **157%** and **reach 900 million** globally by **2027**.
- The global Buy Now Pay Later market is predicted to reach **\$80.77 billion in 2024**.
- PayPal Credit is the most popular BNPL app, with 57% of consumers using it.
- **18% of BNPL** users in the **US** **tend to miss payments**.
- **BNPL** is the **5th most used method of payment on e-commerce sites**.
- **46%** of consumers use BNPL to purchase fashion accessories like **clothes, shoes, and jewellery**.



Globally, There Are More Than **360 Million** BNPL Users

Buy Now Pay Later Statistics | © Copyright

demand**sage**



Buy Now Pay Later Market Size Worldwide

demand**sage**

## How has it influenced and how people shop?

### Consumer Behaviour Analysis:

The Buy Now, Pay Later (BNPL) model has significantly influenced consumer behaviour by increasing spending power and flexibility. Consumers are now more inclined to make larger purchases, as BNPL allows them to spread the cost over time. This flexibility enables better budget management and has shifted preferences towards retailers that offer BNPL options. The immediate availability of goods with deferred payments often leads to higher average order values and more frequent impulse buying.

Additionally, BNPL is changing payment preferences, with many consumers opting for these alternative payment methods over traditional credit cards due to their simplicity and lack of interest charges. Retailers are responding to this shift by integrating BNPL into their payment systems to attract a wider customer base and enhance sales. BNPL's impact on consumer spending and retailer strategies highlights its growing importance in the modern shopping experience.



### The reasons behind its growth of BNPL:

The growth of BNPL can be attributed to several key factors, including its simplicity and flexibility. BNPL offers a straightforward application process, often requiring minimal credit checks and providing instant approval, which enhances its appeal to consumers seeking hassle-free payment options. Its flexibility allows consumers to manage their finances more effectively by spreading the cost of purchases over time without incurring interest, provided payments are made within the agreed period. Additionally, BNPL services often offer a seamless integration at checkout, making it an attractive option for both consumers and retailers. This combination of ease of use and financial flexibility has driven the rapid adoption and growth of BNPL solutions.

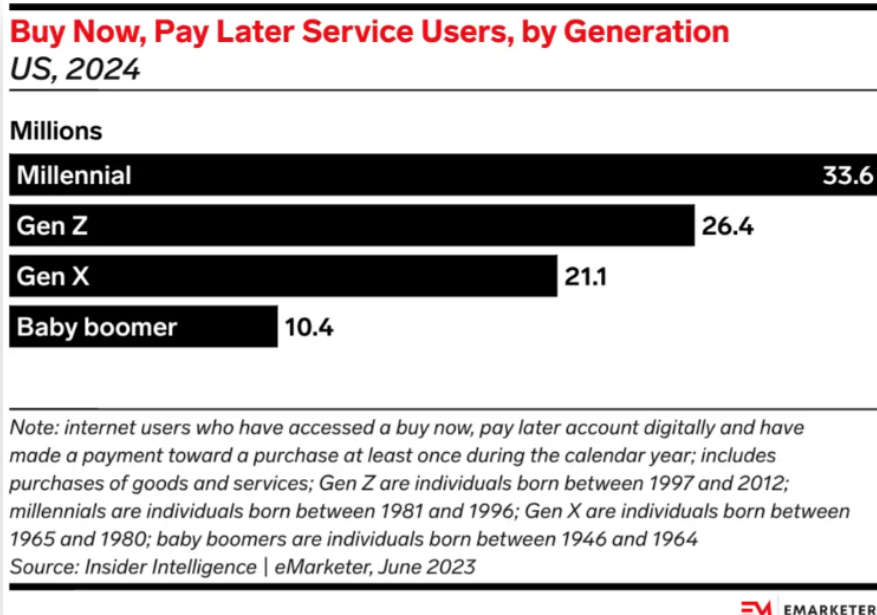
## Differences between BNPL and credit cards:

	BNPL	Credit card
Provider	Fintech companies	Banks
Application process	Fast and easy, only takes minutes	Complex and can take days to weeks
Credit check	Light check or no check, overdue usually won't impact personal credit	Requires verification of personal credit and overdue will be recorded
Credit line	Low	Low to high
Target users	Young consumers	Financially independent middle-aged people
Scenario	Small purchases	Large transactions
Repayment period	Bi-weekly or monthly	Monthly
Client fees	No management fees	Fees with high fines
Type	Virtual account	Account with a physical card

## What segment of users are most attracted by it and what are the categories growing:

- The Buy Now, Pay Later (BNPL) services are most popular among younger consumers, particularly **Millennials and Gen Z**, who are attracted by the flexibility and ease of managing their finances without incurring immediate debt. These segments value the ability to spread payments over time without interest, which aligns with their preference for budgeting and managing expenses.
- In terms of categories, BNPL is seeing significant growth in several sectors. The fashion and apparel industry is experiencing substantial adoption as consumers use BNPL to purchase clothing and accessories with more manageable payment plans. Electronics and home goods are also prominent categories where BNPL is gaining traction, as consumers are increasingly looking to spread the cost of higher-ticket items over time. This trend reflects a broader shift towards BNPL solutions for both every day and high-value purchases.





## What are the impacts on businesses?

BNPL has significantly impacted businesses, both positively and negatively. On the positive side, it has boosted sales and average order values as consumers are more likely to make larger purchases when given the option to pay in instalments. BNPL has also attracted new customers, particularly younger demographics, and improved customer satisfaction due to the flexibility it offers. Additionally, businesses receive the full payment upfront from BNPL providers, ensuring a steady cash flow.

However, there are also challenges associated with BNPL. Merchant fees charged by BNPL providers can cut into profit margins, especially for small businesses. Integrating multiple BNPL options can be complex and time-consuming. Furthermore, while BNPL can lead to increased sales, it may also contribute to higher chargeback rates and potential bad debt if customers are unable to make payments.

## Indian companies offering Buy Now Pay Later services:

India has witnessed a surge in BNPL services in recent years. Several fintech companies and established players have entered the market, offering a range of BNPL options to consumers. Some of the prominent players include **Paytm Postpaid, LazyPay, ZestMoney, Freecharge Pay Later, Flipkart Pay Later, Amazon Pay Later, and Simpl**. These companies have partnered with numerous merchants across various sectors, enabling customers to make purchases and defer payments.





### Compare Indian companies offering Buy Now Pay Later services with those in the global market:

Indian BNPL companies are rapidly catching up with their global counterparts but still have room for growth. While global giants like **Afterpay** (acquired by Square), **Klarna**, and **Affirm** have established strong market positions, Indian players like **Paytm Postpaid**, **LazyPay**, and **ZestMoney** are gaining traction. Indian companies often focus on a larger customer base with varying credit profiles and offer more flexible repayment terms. However, global players typically have more advanced risk assessment models and a wider range of services, including point-of-sale financing and instalment loans.

Another key difference lies in the regulatory landscape. While India is gradually developing its BNPL regulations, global markets like the US and Australia have more mature frameworks in place. This can impact factors such as consumer protection, data privacy, and capital requirements for BNPL providers. As the Indian BNPL market matures, it is likely to see increased consolidation, partnerships with global players, and a focus on technological advancements to compete effectively on the global stage.

### What are the advantages and disadvantages for both consumers and companies using this payment method?

#### Advantages for Consumers:

- **Financial Flexibility:** BNPL allows consumers to spread the cost of purchases over time, making larger purchases more manageable. This can be particularly beneficial for those with irregular income or unexpected expenses.
- **Improved Cash Flow Management:** By breaking down payments into smaller instalments, consumers can better manage their cash flow and avoid overspending. This can help maintain a healthy financial position.

- **Potential for Interest-Free Periods:** Many BNPL providers offer interest-free periods, which can save consumers money compared to traditional credit cards.

#### Disadvantages of BNPL for Consumers:

- **Risk of Overspending:** The convenience of BNPL can lead to overspending if not used responsibly. Consumers may be tempted to purchase items they cannot afford, leading to debt accumulation.
- **Late Fees and Interest Charges:** While many BNPL providers offer interest-free periods, late or missed payments can result in significant fees and interest charges, which can quickly escalate the cost of the purchase.
- **Impact on Credit Score:** While some BNPL providers report payment history to credit bureaus, others do not. Failure to make payments on time can negatively impact credit scores.

#### Advantages for companies:

- **Increased Sales and Average Order Value:** BNPL can significantly boost sales and increase average order value by allowing customers to purchase more expensive items.
- **Reduced Cart Abandonment:** BNPL can help reduce cart abandonment rates by providing a more attractive payment option for customers.

#### Disadvantages for companies:

- **Merchant Fees:** BNPL providers typically charge merchants a fee for each transaction, reducing profit margins.
- **Potential for Bad Debt:** If customers fail to make payments, businesses may incur bad debt losses.

#### Insights from the BNPL Analysis:

- **Consumer Behaviour Shift:** BNPL has significantly altered consumer spending habits, particularly among younger demographics, by providing flexible payment options and encouraging impulse purchases. This shift presents opportunities for businesses to tailor their offerings accordingly.
- **Growth Potential in Emerging Markets:** The rapid growth of BNPL in India indicates a substantial opportunity for expansion in other emerging markets with similar demographic and economic conditions.
- **Balancing Benefits and Risks:** While BNPL offers advantages to both consumers and businesses, it's crucial to mitigate risks such as overspending, debt accumulation, and fraud. A comprehensive risk management strategy is essential for long-term success.
- **Competitive Landscape:** The BNPL industry is highly competitive, with both established financial institutions and fintech startups vying for market share. Understanding the competitive landscape is crucial for developing effective business strategies.

## Conclusion:

The Buy Now Pay Later (BNPL) model represents a significant evolution in consumer financing, driven by its flexibility and ease of use. For consumers, BNPL offers increased purchasing power and financial flexibility but also carries risks of debt accumulation and potential impacts on credit scores. For businesses, BNPL can enhance sales and customer engagement but involves merchant fees and potential financial risks associated with customer defaults. The comparative analysis of Indian BNPL providers with their global counterparts reveals that while local players are rapidly expanding, they face unique regulatory and market challenges. Overall, the BNPL model presents both opportunities and challenges, underscoring the need for careful management and regulatory oversight to balance benefits with potential drawbacks. The continued growth of BNPL will likely depend on how well it can adapt to evolving consumer needs and regulatory landscapes while maintaining financial sustainability.

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