

Buy Now Pay Later

A New Way of Borrowing Leads to Credit Expansion

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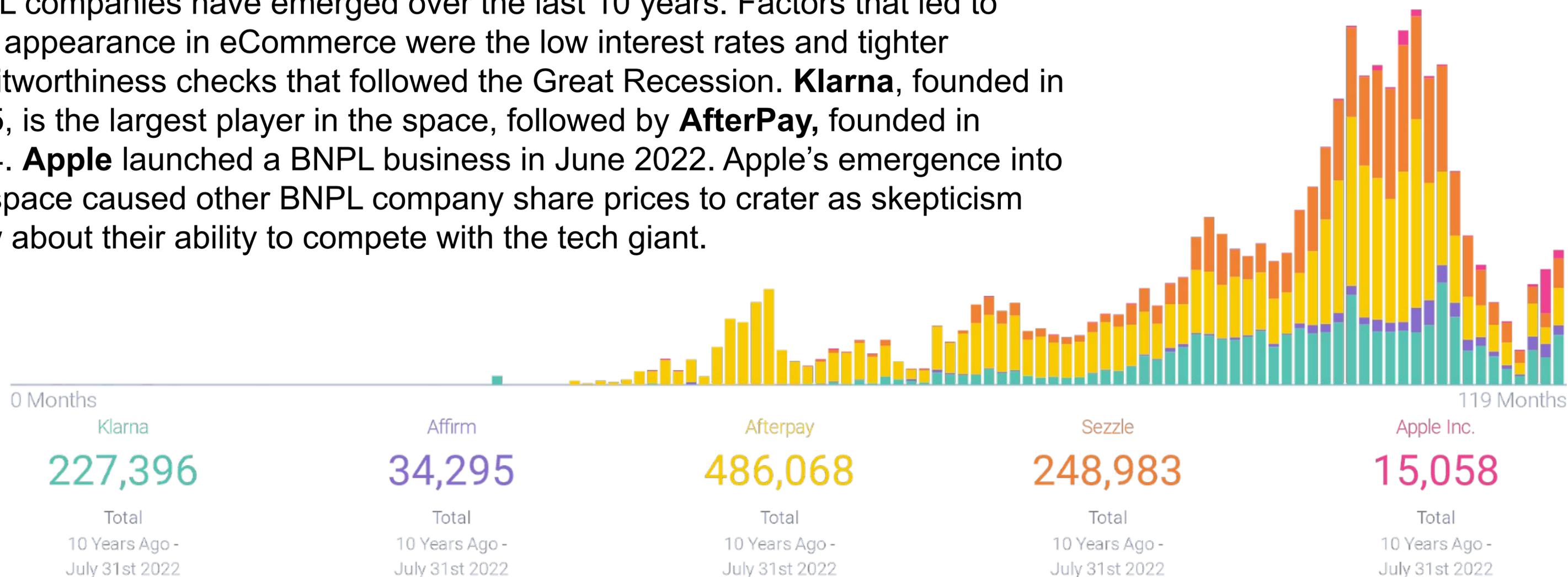
Introduction

Buy Now Pay Later (BNPL) is a new lending practice that has exploded in popularity across eCommerce. BNPL lets consumers split payments for items across various retail industries, from groceries to plane tickets, into multiple payments (usually four or five).

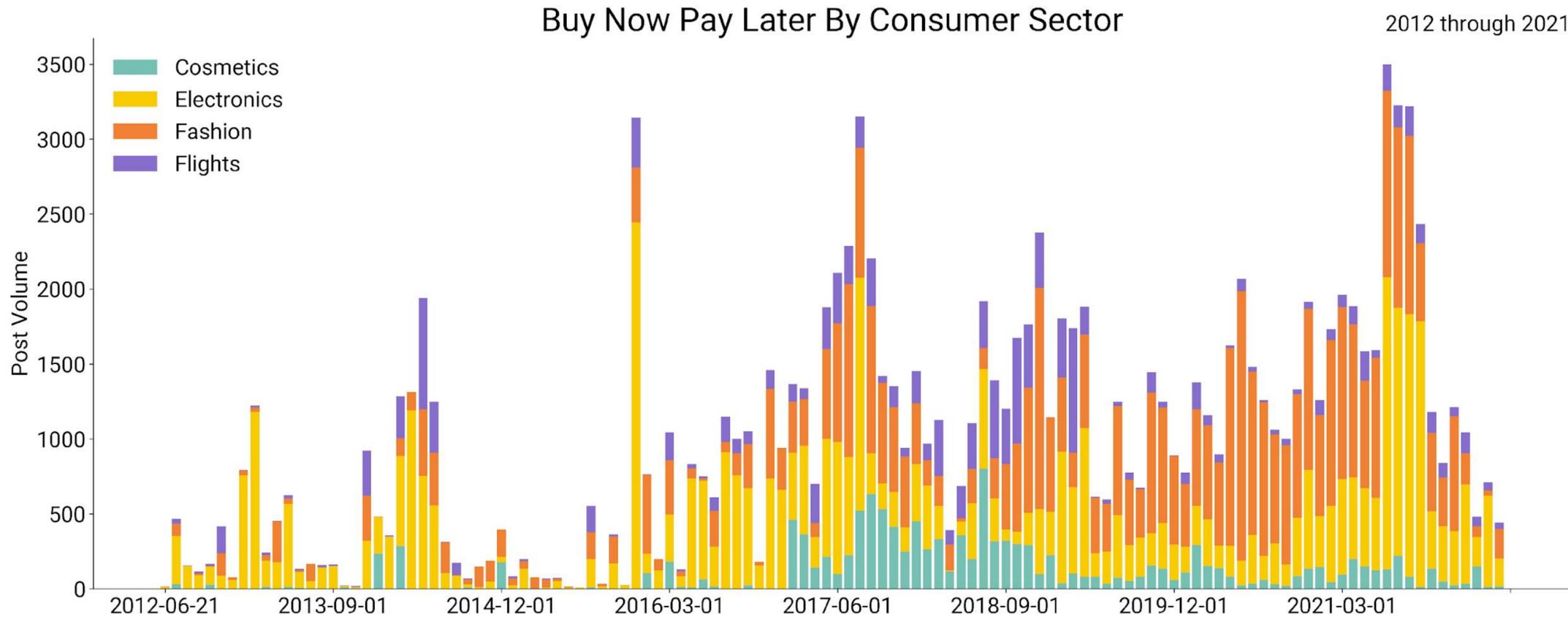
Firms specializing in BNPL, like **Klarna** and **Affirm**, administer short-term, interest-free loans to consumers. They profit by charging merchants large transaction fees, much like a traditional credit or debit card company. This brief outlines the trend, points out its benefits, and highlights its possible pitfalls.

Key players in the Buy Now Pay Later space

BNPL companies have emerged over the last 10 years. Factors that led to their appearance in eCommerce were the low interest rates and tighter creditworthiness checks that followed the Great Recession. **Klarna**, founded in 2005, is the largest player in the space, followed by **AfterPay**, founded in 2014. **Apple** launched a BNPL business in June 2022. Apple's emergence into the space caused other BNPL company share prices to crater as skepticism grew about their ability to compete with the tech giant.



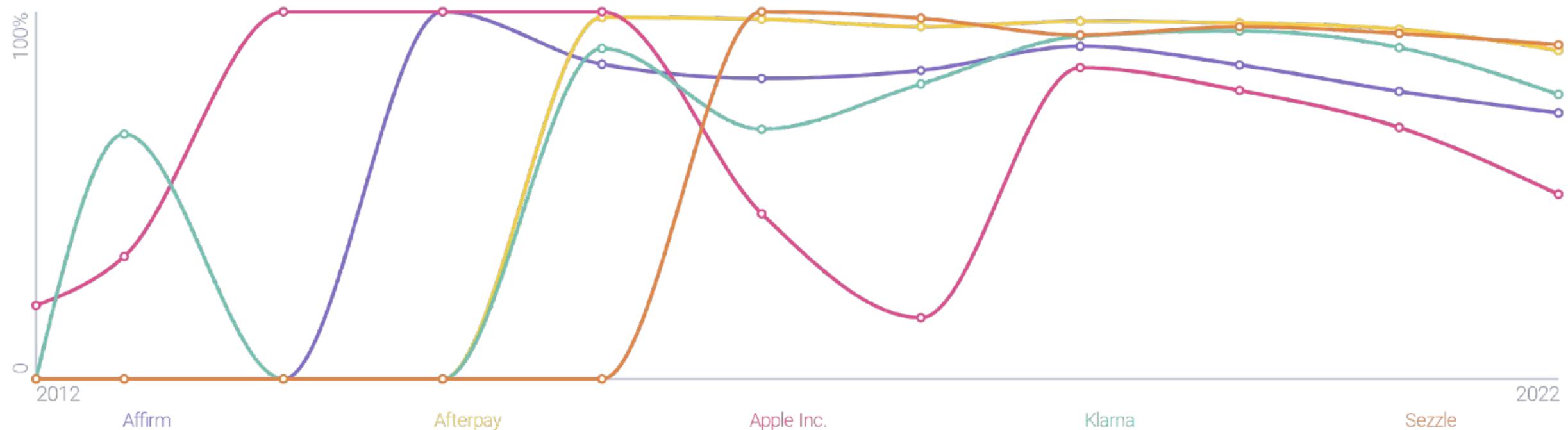
Buy Now Pay Later by consumer sector



BNPL providers started by offering their lending services for the online retail of electronics (i.e., phones, computers, tablets, and televisions). This later expanded to the fashion and cosmetics industries, where it successfully lends itself to impulse purchases.

Merchants value BNPL because it reduces cart abandonment and lessens the effects of sticker shock.

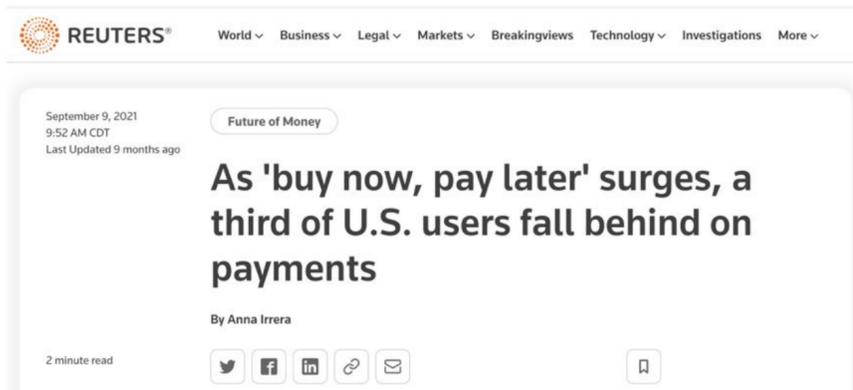
Sentiment warning signs amidst possible recession



Prior to January 2022, consumer sentiment around BNPL was universally positive. The US Federal Reserve set interest rates at near zero levels. This meant BNPL providers could acquire cash for lending at extremely low rates.

However, as inflationary pressures increased since February 2022, BNPL sentiment has dropped significantly. Much of that sentiment drop has to do with the changing economic climate in the United States. The US Federal Reserve is hiking interest rates, raising the cost of BNPL provider business practices.

Concerns emerge in press



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As venture capital money dries up due to changing market conditions, and with consumer confidence dropping, BNPL firms are having a harder time with valuations. Already, we've seen massive valuation decreases from the industry's peak in 2022. This trend looks likely to continue as the US combats more inflationary challenges.

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Missed Payments, Rising Interest Rates Put 'Buy Now, Pay Later' to the Test

Affirm, Afterpay and Klarna grew rapidly during the consumer-spending boom. Investors have concerns as outlook looks cloudier.

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Conclusion

Given the concerns around **rising interest rates**, **inflation**, and a **looming recession**, many worries around the BNPL space have emerged. Infegy Atlas has tracked a sharp decrease in post volume since it peaked in December 2021. Moreover, BNPL sentiment was initially strong, but has decreased substantially over the last several months.

About Infegy

We're changing the way companies listen to consumers, and what they do about it.

- Robust social listening data and analysis
- Quickest view of consumers' thoughts and sentiments
- Unmatched client experience and support
- Agile approach to products and services



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MINTEL



Our Dataset

- Social dataset spanning hundreds of billions of posts and growing fast.
- Data collection that best mirrors varied real-world populations.
- Unlimited data access provides flexibility to obtain the context that matters.
- In-house data storage allows for unmatched speed to insight.



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Learn how you can use Infegy Atlas to obtain insights like these. Contact us at sales@infegy.com to schedule a custom demo.