

Afterpay and Klarna deliver strong performance following summer spending surge and recent growth initiatives

Article

By the numbers: Two major buy now, pay later (BNPL) providers posted strong volume and user growth.

- **Afterpay's global underlying sales more than doubled, increasing 102% year over year (YoY) and hitting \$22.8 billion in its fiscal year 2021 (ended June 30, 2021).** Global active customers also grew to more than 16 million, and its merchant partner network expanded to 100,000.
- **Klarna's gross merchandise volume (GMV) surged 77% year over year (YoY) and hit \$39 billion globally in H1—even stronger growth than the same period last year, when GMV jumped 44% YoY.** Klarna's monthly active app users hit 18 million, up from 12 million in H1 2020.

How we got here: In key growth markets like the US—where **the number of BNPL users is expected to surge 81.2% this year**, per our forecasts—an upswing in consumer spending in the early summer months likely benefited BNPL providers.

June retail sales jumped 15.6% YoY in the US, with many of these sales occurring in-person as vaccinated consumers returned to stores following a drop in COVID-19 cases. Both Afterpay and Klarna let customers add virtual cards to mobile wallets for in-store purchases.

What's next? BNPL is heating up, and partnerships and acquisitions will become more important than ever as Afterpay and Klarna compete to grab a bigger piece of the market.

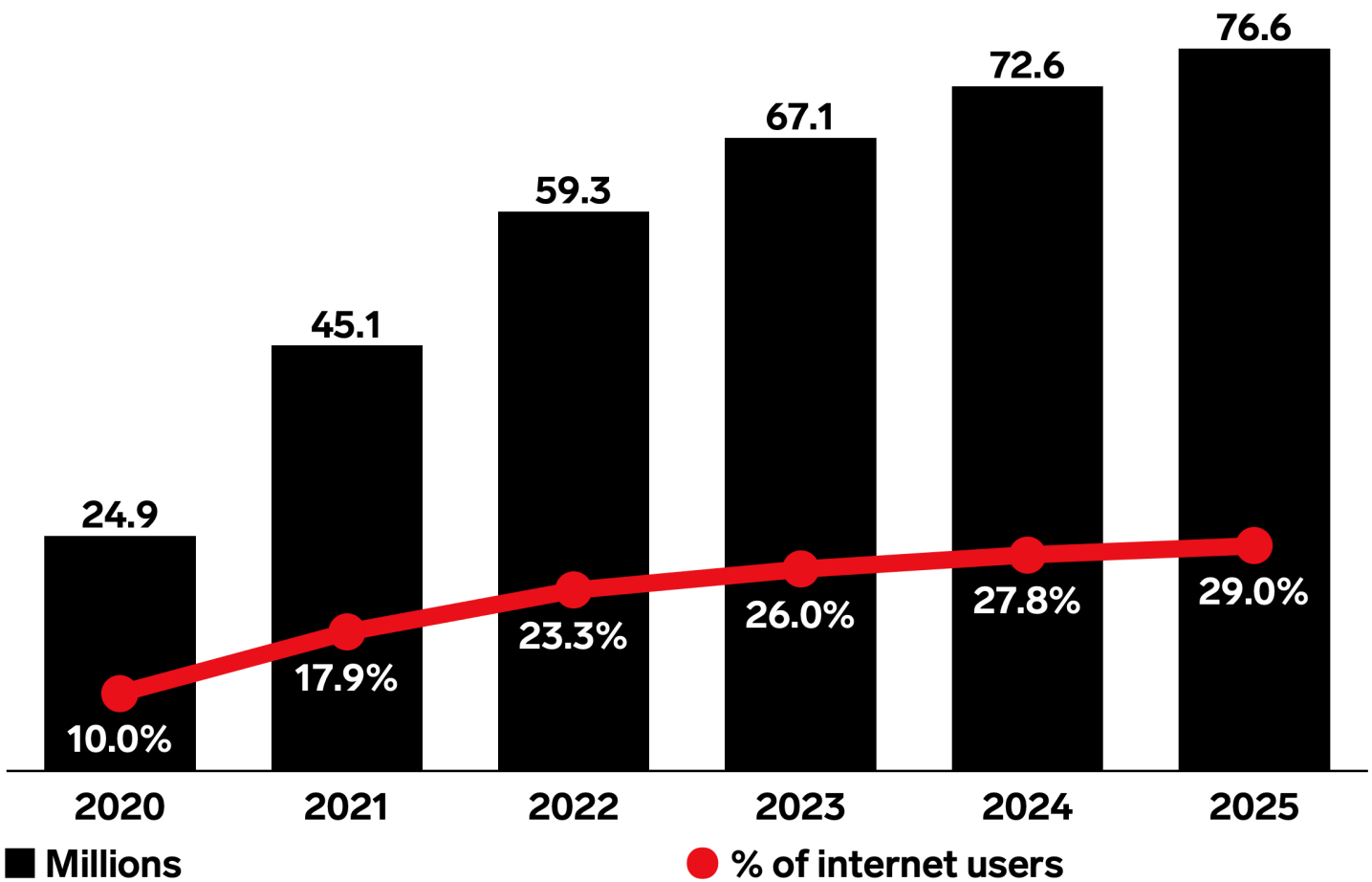
- Afterpay made headlines earlier this month when **Square announced it will buy the Australia-based provider for \$29 billion.** The acquisition will give Afterpay access to Square's global seller network, which should help propel its payments volume. The firm has also introduced new features like a savings app and merchant analytics, both of which can help Afterpay tighten relationships by giving customers more ways to use its services and offering a wider set of tools for merchants.
- Klarna has also set out to boost business: In August, the Sweden-based player partnered with luxury retailer **Yoox Net-a-Porter** and **Petco**. And earlier in the summer, it embarked on an acquisition spree, snagging retail tech startup Hero, discount shopping app Stocard, and

others. These moves should help Klarna expand its retail network through platform enhancements—and draw in more customers at the same time.

These tie-ups and acquisitions can help Afterpay and Klarna sustain growth as the economic tailwinds that elevated business start winding down: **July retail sales declined 1.5% month over month**—though annual growth remained steady, according to the US Census Bureau.

Buy Now, Pay Later Service Users

US, 2020–2025



Note: Ages 14+; internet users who have accessed a buy now, pay later account digitally and have made a payment toward a purchase at least once in the past year; includes purchases of goods and services. Buy now, pay later (BNPL) services are defined as interest-free solutions provided by third-party payment platforms that allow consumers to purchase and finance a product or service, and pay in scheduled installments; also known as digital installments, installment lending, and point-of-sale financing. Users are typically allowed to pay off balances in weekly, bi-weekly, or monthly installments. Failing to adhere

to a predetermined payment plan will usually lead to late fees and interest charges. Consumers access these solutions at the point-of-sale (online or in-person), usually via a merchant's website or app, via the third-party provider's app or via proximity mobile payment apps like Google Pay and Apple Pay. Examples include Affirm, Afterpay, Klarna, Sezzle, and PayPal's BNPL service. Excludes services that provide a revolving line of credit, and retailer- and bank-branded financing options.

Source: eMarketer, May 2021

Methodology: Estimates are based on the analysis of survey and traffic data from research firms, historical consumer adoption and buying trends, payment adoption trends, reported company data, interviews, demographic and socioeconomic factors, and macro-economic conditions.

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