

BNPL is making strides but struggling to grab a meaningful share of US retail sales

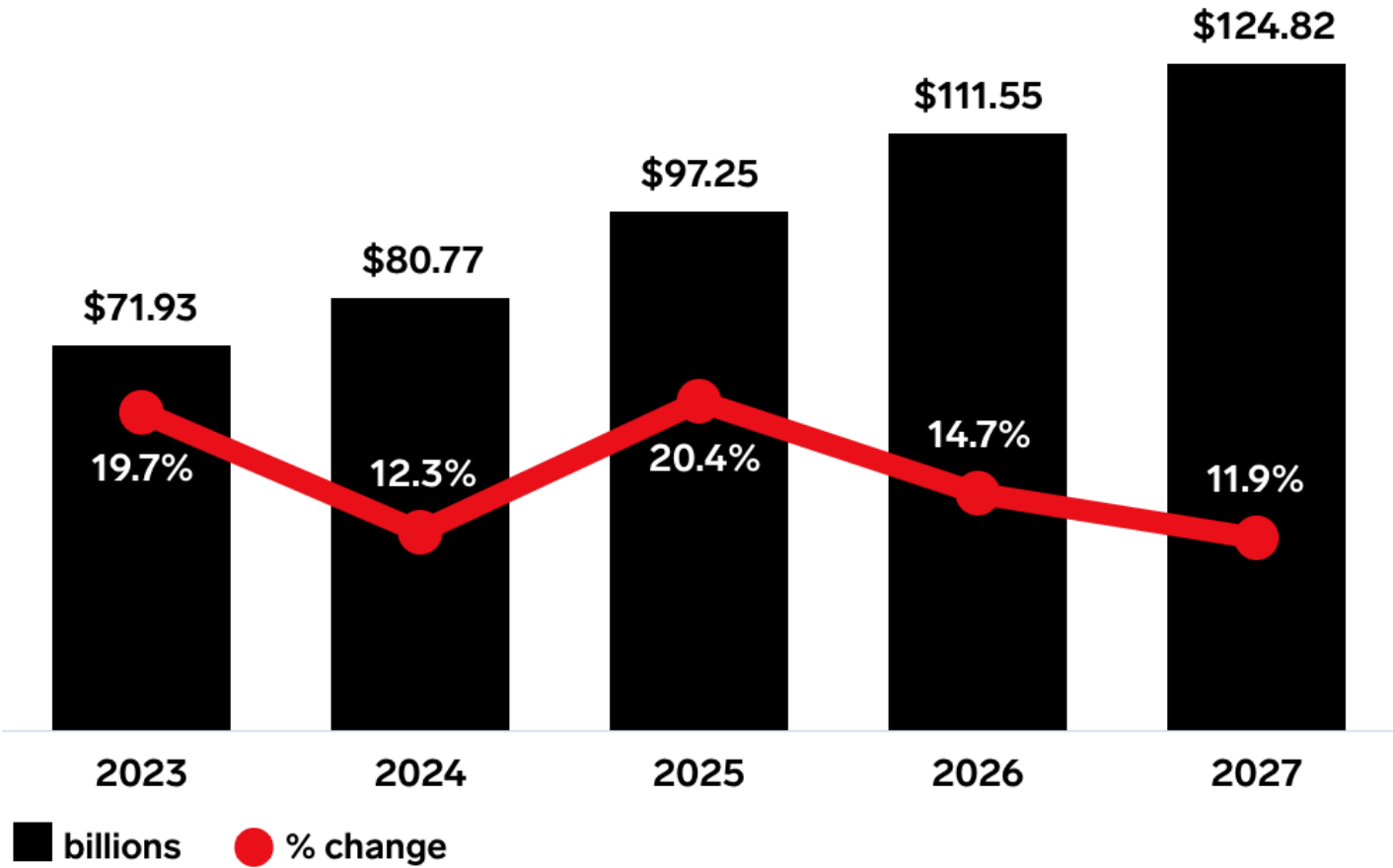
Article

Buy now, pay later (BNPL) is still a small retail payments player. While 73% of US consumers said they'd heard of BNPL in 2022, just 5.8% said they'd used it at least once over a 30-day

period. US BNPL value will hit \$80.77 billion in 2024, per our forecast—just 1.1% of total US retail sales. That share will tick up to only 1.5% by 2027.

Buy Now, Pay Later Payment Value

US, 2023-2027



Note: includes products or services paid with a buy now, pay later service platform; excludes payments such as bill pay, taxes, or money transfers, gambling and other vice goods sales

Source: Insider Intelligence | eMarketer, July 2023

Insider Intelligence | eMarketer

The growth is still impressive. BNPL firms largely pulled off a pivot in 2023. After massive layoffs, devaluations, and de-risking in 2022, the notoriously thin-margined BNPL sector started turning things around. Affirm notched three sequential quarters of profitability while Sezzle reported five, and Klarna posted a profit for the first time since 2019.

Much of that profit didn't come directly from BNPL transactions. For multiple quarters, Klarna cited merchant services—which includes things like advertising—as its fastest-growing revenue stream. And multiple BNPL firms have announced subscription-based products—like Klarna Plus, Affirm Plus, and Sezzle's Anywhere—that offer perks like fewer fees, more rewards points, and exclusive deals at retailers.

But BNPL firms are struggling to create a value proposition to compete with credit cards. Affirm and Afterpay both shut down their rewards this year. And Affirm now boasts that interest-bearing loans—previously anathema to the BNPL conceit—make up 73% of its product composition. Affirm also hiked its maximum interest rate to 36% last year, well above the 24.7% national average for credit cards.

Anti-BNPL pearl-clutching hasn't helped. Vague moralizing about BNPL, like The Motley Fool Ascent's advice to “just say no to BNPL—unless you really have no choice,” or disparaging using BNPL for groceries as the “height of personal desperation,” may be keeping consumers away. A plurality of consumers (44%) said they have not used BNPL and are not interested in using it, per a December 2023 Bizrate Insights-conducted survey, while just 13% said they use it regularly.

[Read the full report.](#)

Report by Tyler Van Dyke Mar 25, 2024

The State of Payment Methods 2024

