

BNPL titans look for growth in-store amid increased competitive and economic threats

Article

What's happening: Buy now, pay later (BNPL) providers are moving further in-store through new tie-ups.

- **Klarna** will offer its BNPL services to customers across **Blackhawk's** brick-and-mortar retail network, per a press release. The tie-up will span groceries, electronics, beauty, and other shopping categories.
- Sephora tapped **Block-owned Afterpay** to offer its in-store and online customers in the US interest-free BNPL, per a press release.

Why it's worth watching: As the online BNPL space saturates, providers are seeking out new growth avenues in-store.

Many online merchants already offer several forms of BNPL, which make it harder for providers to stand out and capture spending. White-label BNPL solutions and tie-ups with payment processors have compounded those issues.

Although BNPL providers have already been targeting brick-and-mortar with virtual cards, the overall segment remains less crowded. **Only 9% of US adults used a BNPL service for an in-store purchase** in June, per the Insider Intelligence Ecommerce Survey.

In-store retail also offers bigger revenue opportunities for BNPL providers: **Non-ecommerce retail sales in the US are expected to hit \$5.938 trillion in 2022**, making up 85% of total retail sales, per eMarketer forecasts from Insider Intelligence. Incumbents can take advantage of higher in-store sales traffic to boost payments volume.

The bigger picture: In-store BNPL can fuel growth as Klarna and Afterpay face a tighter market.

- **BNPL competition is intense.** Solutions from Visa, Mastercard, and several large banks like Deutsche Bank threaten future growth for BNPL incumbents, which rely heavily on retail partnerships. **Apple's new BNPL solution** may be an even worse disruption for players like Afterpay and Klarna. Providers are also contending with the growing number of BNPL upstarts, many of which are segment-specific (like Uplift or Walnut) or promise more transparency.
- **Shifting macroeconomic factors threaten profitability.** Rising interest rates and recession fears are pushing providers to reevaluate their growth strategies. Just this week, **Zip shut down** its money management app and abandoned plans to acquire **Sezzle**. And Klarna's valuation dropped to \$6.7 billion in its latest fundraising—about one-seventh of last year's high.

- **Regulation is taking shape in the background.** Governments in Australia, [the UK](#), and [the US](#) are drafting BNPL regulation. Potential changes like stronger eligibility checks and increased operational oversight threaten to slow down growth for providers.

A stronger push in-store may help providers offset some of those factors and boost revenue potential, especially as it gets harder to compete in the online segment.

Which Payment Methods Have US Adults Used to Make In-Store Purchases?

% of respondents, by demographic, June 2022

	Female	Male	18-34	35-54	55-65	Total
Credit card	68%	69%	51%	75%	78%	68%
Debit card	69%	56%	65%	64%	60%	63%
Cash	58%	58%	59%	59%	57%	58%
PayPal	29%	35%	37%	31%	27%	32%
Gift certificate	20%	17%	15%	20%	21%	19%
Apple Pay	17%	18%	31%	14%	10%	18%
Venmo	13%	15%	20%	15%	7%	14%
App provided by retailer (e.g., Starbucks)	10%	10%	11%	13%	6%	10%
Google Pay	7%	11%	12%	11%	4%	9%
Buy now, pay later/installment plan services (e.g., Afterpay, Affirm, Klarna)	10%	7%	9%	8%	9%	9%
Walmart Pay	5%	5%	9%	4%	2%	5%
Other electronic wallets	3%	6%	7%	3%	4%	5%
Samsung Pay	2%	7%	6%	4%	2%	4%
Other	1%	1%	1%	1%	2%	1%
None of the above	0%	1%	1%	1%	0%	1%
Don't know	0%	0%	1%	0%	0%	0%

Note: in the past month/30 days

Source: "The Insider Intelligence Ecommerce Survey" conducted in June 2022 by Bizrate Insights, June 22, 2022

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