

PayPal steps into Australia's buy now, pay later market

Article

The payments giant will launch its buy now, pay later (BNPL) solution in Australia this June, [per Reuters](#). The offering, dubbed [Pay in 4](#), allows customers to pay for online purchases in four interest-free installments over a six-week period. PayPal's BNPL offering first [launched](#) in the US in September 2020, with its [UK debut](#) following soon after. Pay in 4 transactions accounted for \$750 million of volume in the US and UK at the end of December.

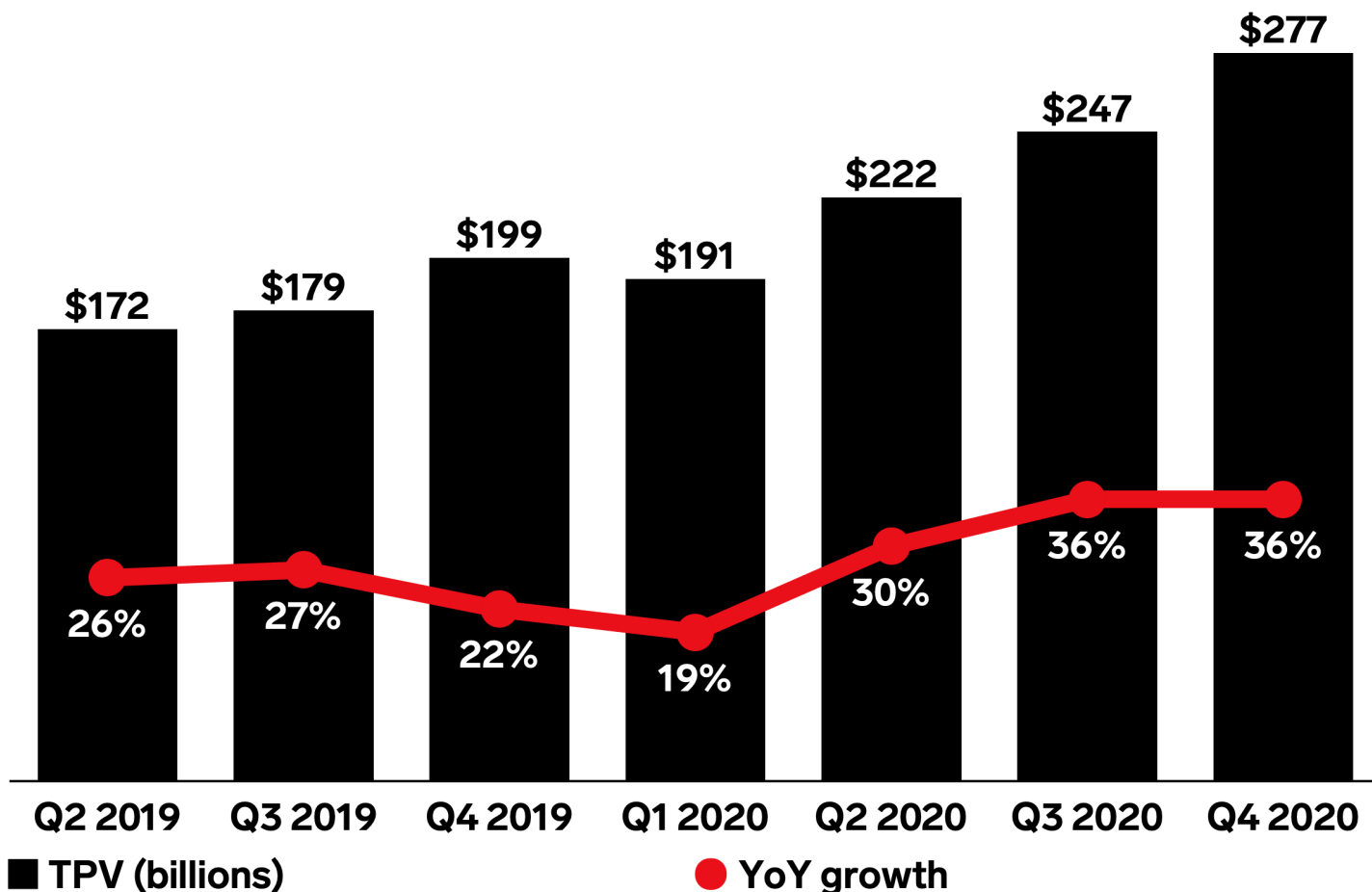
PayPal's move into Australia could be challenging, considering the market is already dominated by a number of homegrown BNPL providers. Although the coronavirus pandemic helped [thrust](#) BNPL offerings into the global spotlight, the financing solution has long been popular in Australia: In 2019, the country was ranked No. 4 out of the top global BNPL markets based on consumer usage, [per](#) Worldpay. More recently, the number of BNPL transacting users in Australia climbed 25% to nearly 2 million users in June 2020, compared with the same period in 2019, [according to](#) the Australian Securities and Investments Commission. Local players Afterpay and Zip are dominating this booming market, with the former counting 3.4 million users across Australia and New Zealand as of its [fiscal Q1 2021](#) (ended December 31, 2020) and the latter counting 1.8 million users in the same regions based on the [latest data](#) available. With PayPal due to enter the market soon, it could face fierce competition from Afterpay, Zip, and [other players](#) that have risen in the market.

PayPal may be able to push past the noise and become a key player in the flourishing market thanks to its large user base.

- **It can leverage its expansive user network to grow its BNPL business.** PayPal [closed](#) out 2020 with 377 million total active customers, an estimated [29 million](#) of which were merchants. And in Australia alone, the firm has about [7 million](#) users. So, PayPal may be able to quickly build up usage for Pay In 4 since it already has a large existing footprint in the market. It's worth noting that although PayPal intends to take advantage of its existing presence, it doesn't intend to muscle out existing BNPL providers in the market.
- **But it'll need to quickly scale up retail partnerships to grab market share and compete with existing players.** Beyond leaning on its existing user base in Australia, PayPal may need to forge retail partnerships with large retailers to grow its reach in the market. Doing so will enable it to increase customer access to its offerings and keep up with competitors that are already [using](#) partnerships to grow their own volume.

PayPal Total Payment Volume (TPV)

global



Note: Values are reported on an FX-neutral basis.

Source: PayPal, 2021

Methodology: This data is from PayPal's Q4 earnings report released on February 3, 2021.

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