

BNPL is a promising space for US banks to boost engagement

Article

The news: An overwhelming number of US consumers who currently use buy now, pay later (BNPL) installments are interested in using a version of the service if it's offered by their own banks, [per](#) a new survey from PYMNTS.

- The report shows that **70.2% of current-user respondents said they would be "More interested" in using bank-backed BNPL products compared to offerings supported by non-**

bank providers.

- Meanwhile, 36.1% of non-users gave the same reply, while the same figure expressed no changes in interest.

More on this: PYMNTS found sizable general interest in bank-backed BNPL:

- **Nearly 43% percent of consumers overall** expressed receptiveness to it.
- Crucially, respondents **ranked trust as their top factor** when asked for influences of their provider affinity, at nearly 53%. PYMNTS **points out that this sentiment favors banks over fintechs.**

The survey also shows that banks could grab market share from the top 3 big standalone BNPL providers:

- **Afterpay:** In the US market, it's No. 1, with 44% of consumers using it for online shopping and 47% doing so for in-store purchases. But almost 79% of Afterpay's users said they would be "more interested" in BNPL products that are issued by banks.
- **PayPal:** It's No. 2 in the US, with 44% of users online and 43% in-store. But again, 84% of PayPal Pay in 4 users voiced the same preference for banks.
- **Klarna:** It's third in the US, with 38% of users online and 41% in store. But 82% of Klarna's users would prefer using a bank's BNPL services.

Testing the waters: Some major US banks have either ventured into BNPL or may be planning to do so:

- **Capital One** revealed in September 2021 that it would pilot BNPL with select merchants.
- Top **JPMorgan Chase** executives warned during fall 2021 that it could jump directly into BNPL. The banking giant already offers a pair of BNPL-esque products that enable after-purchase installment payments, one of which can be used via credit card.
- **Goldman Sachs** has been internally working on a joint BNPL product with **Apple**.

The opportunity: BNPL is a growth space: Our forecasting shows it will increase from **45.1 million US users in 2021 to 76.6 million in 2025**. This sizable consumer demand represents a promising market for banks—especially since it appears they can take large bites out of the major standalone players' user bases.

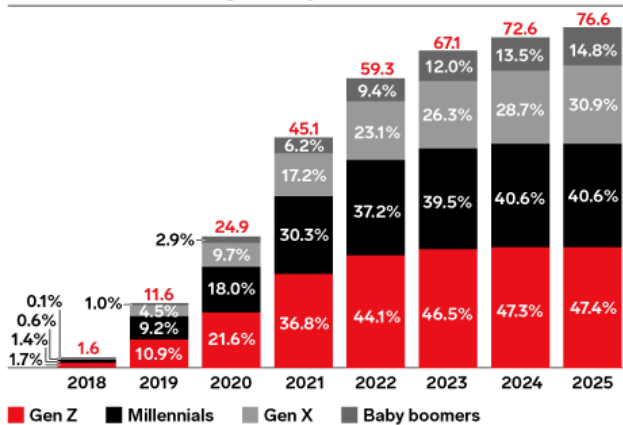
Those standalone players have already done much of the work for banks in educating consumers about how the product works. Banks' experience and existing products also give them a market advantage:

- They could **add BNPL as a bundled option for credit and debit cards**; PYMNTS found that 44.6% of consumers are interested in such products.
- Their regulatory relationships in the US leave them prepared for scenarios in which regulators may get more involved in the space. This is notable given the Consumer Financial Protection Bureau (CFPB) has been **eyeing** major standalone players, and we **predicted** that it's likely to be assertive this year.

The installment product also will help banks deepen their engagement with current customers who might otherwise use a fintech offering. BNPL could also attract new customers to whom banks could eventually cross-sell depository and other lending products.

US Buy Now, Pay Later (BNPL) Service Users, by Generation, 2018-2025

millions and % of digital buyers



Note: among those who have accessed a BNPL account digitally and have made a payment toward a purchase at least once in the past year; includes purchases of goods and services; Gen Z born between 1997 and 2012; millennials born between 1981 and 1996; Gen X born between 1965 and 1980; baby boomers born between 1946 and 1964

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