

Unpacking the top five BNPL happenings of 2021

Article

Our take: Buy now, pay later (BNPL) reached new heights in 2021 as consumers embraced flexible payments and looked to limit credit card use—the number of US BNPL users increased 81.2% year over year (YoY) in 2021, [per](#) Insider Intelligence forecasts.

Here are five things that shook up the BNPL space this year:

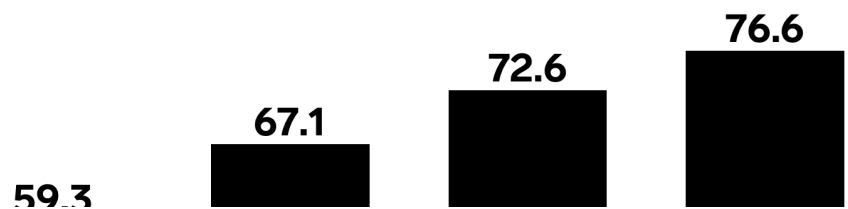
1. **Block (formerly Square) announced plans to acquire Afterpay.** Block [announced](#) the \$29 billion deal in early August. The acquisition has yet to close, but when it does, it should position Block for significant growth and help it keep up with PayPal, which

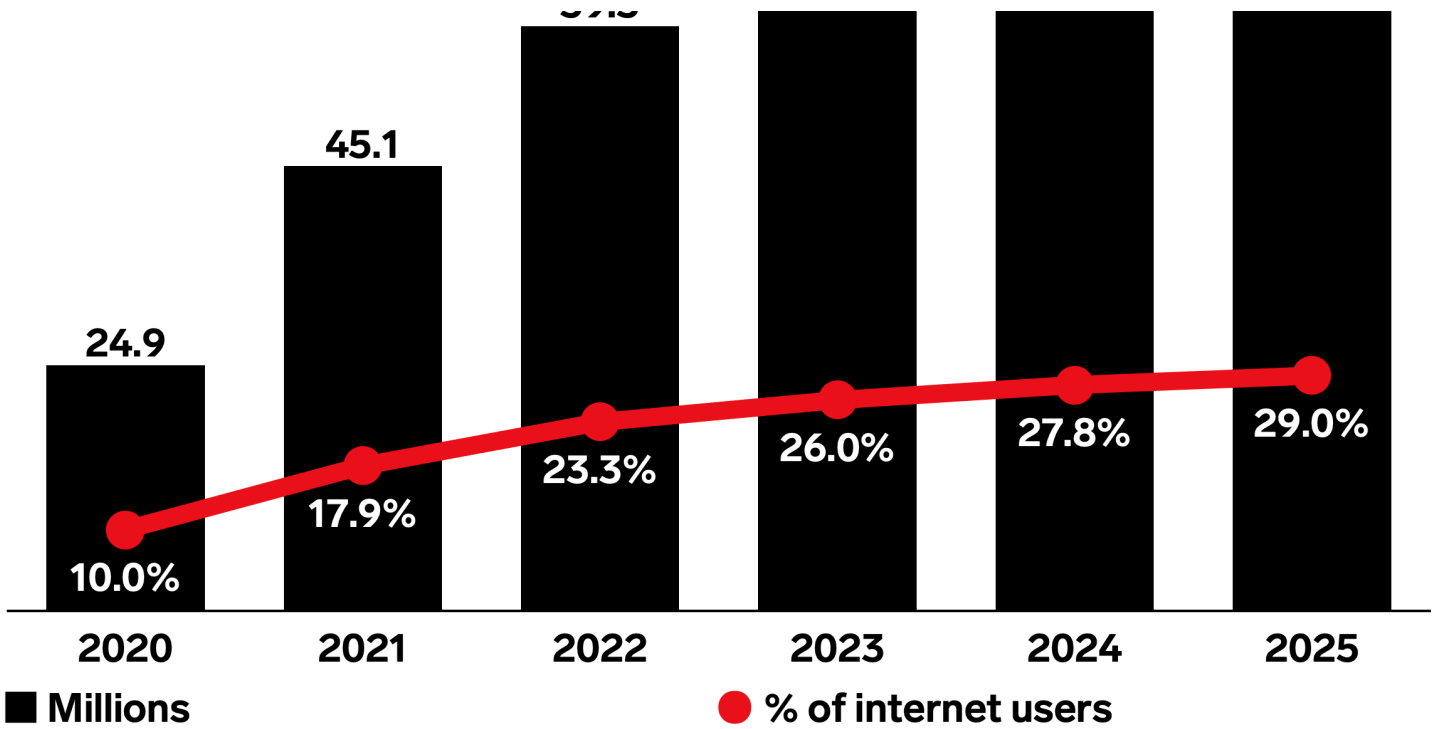
launched its own BNPL solution in the US in August 2020. Block could tap into Afterpay's network of merchants and roughly **12.7 million customers**, per [our](#) forecasts, to attract new business and expand its proprietary seller tools.

2. **Amazon tapped Affirm to offer BNPL.** The e-tailer [partnered](#) with the US-based BNPL provider in late August to let customers split purchases of \$50 or more into monthly installments. The tie-up is Amazon's first direct BNPL partnership in the US and lets it offer a payment tool that customers value.
3. **Major banks pursued flexible payment solutions.** [Capital One](#) and [US Bank](#) are among the big issuers that either launched or announced plans to offer flexible payment solutions in 2021. Because BNPL incumbents like Afterpay and **Klarna** offer interest-free alternatives to credit cards, issuers increased their competitive offenses to keep customers tied to their business and to sustain volume.
4. **Klarna unveiled its super app.** The [app](#) consolidates shopping, payment management, and support for products, delivery, and returns. As BNPL competition heats up, Klarna's super app can help it stand out and drive user and revenue growth by transforming it from a BNPL provider into a one-stop hub that can support the entire consumer shopping and payments journey. Klarna said it will add other features to the app, which should help increase customer appeal.
5. **BNPL providers pushed for differentiation.** Major acquisitions throughout 2021—like Klarna [purchasing](#) social shopping startup **HERO** and discount shopping platform **Stocard**—brought new consumer offerings to help providers stand out. Many brands also rolled out more merchant offerings to increase their value propositions and capture more retail business: For instance, in August, Afterpay [unveiled](#) a merchant analytics platform to give retailers a clearer picture of things like marketing performance, omnichannel retail volumes, and customer demographics.

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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