

Zip anticipates strong holiday season amid BNPL blitz—but with more competition

Article

By the numbers: Zip Fest—Zip’s preholiday shopping event held from October 21 to 25—was a smash for the provider.

- The buy now, pay later (BNPL) firm netted **130% year-over-year (YoY) sales growth**, per a press release.
- **Nearly 250,000 customers** shopped with Zip during the event, and the BNPL provider also saw a **16% month-over-month increase in app installs**.

Why it matters: Zip Fest could foreshadow Zip's performance during the holiday season, which is projected to reach **\$1.147 trillion in US retail sales**, according to eMarketer forecasts from Insider Intelligence.

As customers prepare to spend, appetite for BNPL is intensifying: **60% of Australian consumers and 47% of UK and US consumers have used a BNPL solution**, according to Marqeta. That could pull customers away from legacy payment methods, giving providers an opportunity to capitalize on the season.

The bigger picture: Zip and other entrenched BNPL players (like **Afterpay** and **Klarna**) are facing greater **competition** from **issuers** and **card networks** that have introduced their own BNPL solutions. This is pushing providers to seek out **greenfield** in untapped sectors rather than going head-to-head with rivals for market share.

That will become increasingly important as the industry diversifies and expands, as shown by three recent developments:

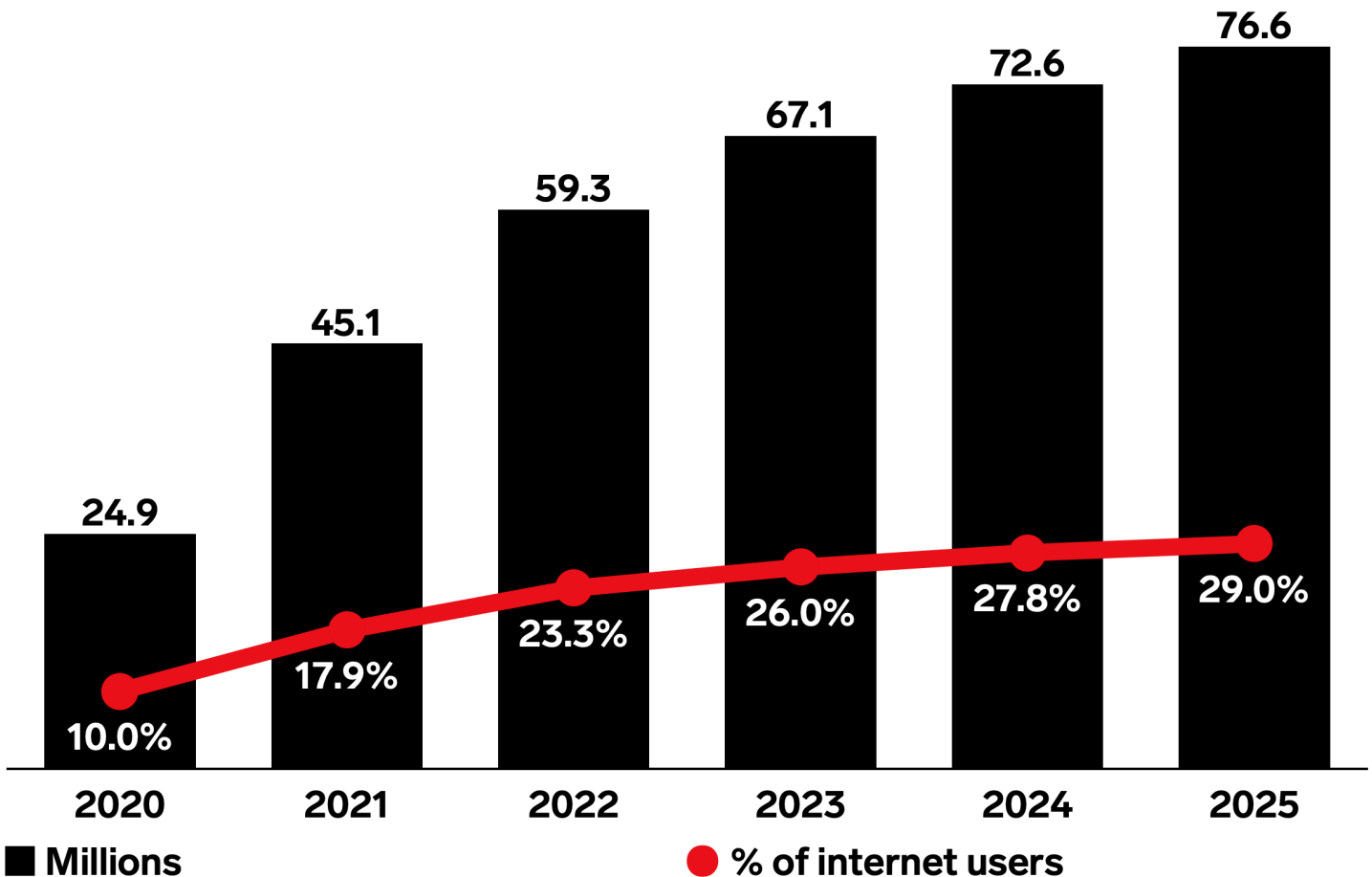
- Pawnshop **FirstCash** will acquire **American First Finance (AFF)**, which offers lease-to-own and other point-of-sale (POS) solutions aimed at underserved consumers, per a press release. AFF counts **6,500 merchant partners** both in-store and online, so the move could extend BNPL to a less-tapped market segment.
- After announcing plans to acquire **Afterpay** earlier this year, **Square CFO Amrita Ahuja hinted at** plans to layer Afterpay's solutions into Cash App to reach new demographics. This might considerably expand BNPL to small businesses, especially as Cash App Pay helps Square **unify** its payment network.
- Antony Stephen, the former head of **Amazon Payments Europe**, was hired as CEO of **Barclays Partner Finance**, according to American Banker, which might signal that the bank is planning to step further into offering its own installment products.

What's the catch? Incumbents are also competing with credit cards. Last year, pandemic-driven uncertainty pulled customers to limit credit card use, opening the door for BNPL firms to grab market share and boost volume. But credit cards have made a major **comeback** in

recent quarters—which has pushed providers to ramp up **partnerships, new product releases,** and **global expansion** efforts to help sustain last year’s growth.

Go deeper: Check out our **“Buy Now, Pay Later Report”** for a high-level view of the industry.

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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