

# PayPal, Klarna, and Visa make moves in the BNPL space as new growth opportunities emerge

Article



**The news:** Three major payments players made buy now, pay later (BNPL) moves to further growth.

## Here's what you need to know:

- **PayPal.** The payments giant announced it's doing away with late fees for its global BNPL products, which let customers pay for purchases in interest-free installments.
- **Visa.** The card network partnered with API issuer-processor **i2c** to let its North American partner issuers and select merchants enable point-of-sale installments through its forthcoming product, Visa Installments.
- **Klarna.** The Sweden-based BNPL provider just launched in Poland through a partnership with H&M that lets customers use its "Pay in 30 days" option and shop through the Klarna app.

**What this means:** As BNPL heats up and alternative credit options gain in popularity, major players are looking for ways to sustain growth.

In the US alone, **the number of BNPL service users is expected to grow 81% from last year and hit 45.1 million**, according to Insider Intelligence forecasts. Global markets like Australia and the UK are seeing similar growth patterns.

Although BNPL solutions have been gaining momentum for quite some time, growth accelerated in the last year as pandemic-driven financial uncertainty led consumers to embrace more flexible payment options. And even as consumers regain financial stability post-vaccine, BNPL offerings are likely to remain sticky.

**The opportunity:** Since many BNPL providers cater to traditional retail and first gained steam in Western countries, the industry is ripe for expansion into other sectors and global markets.

## Here are two growth opportunities for payments players:

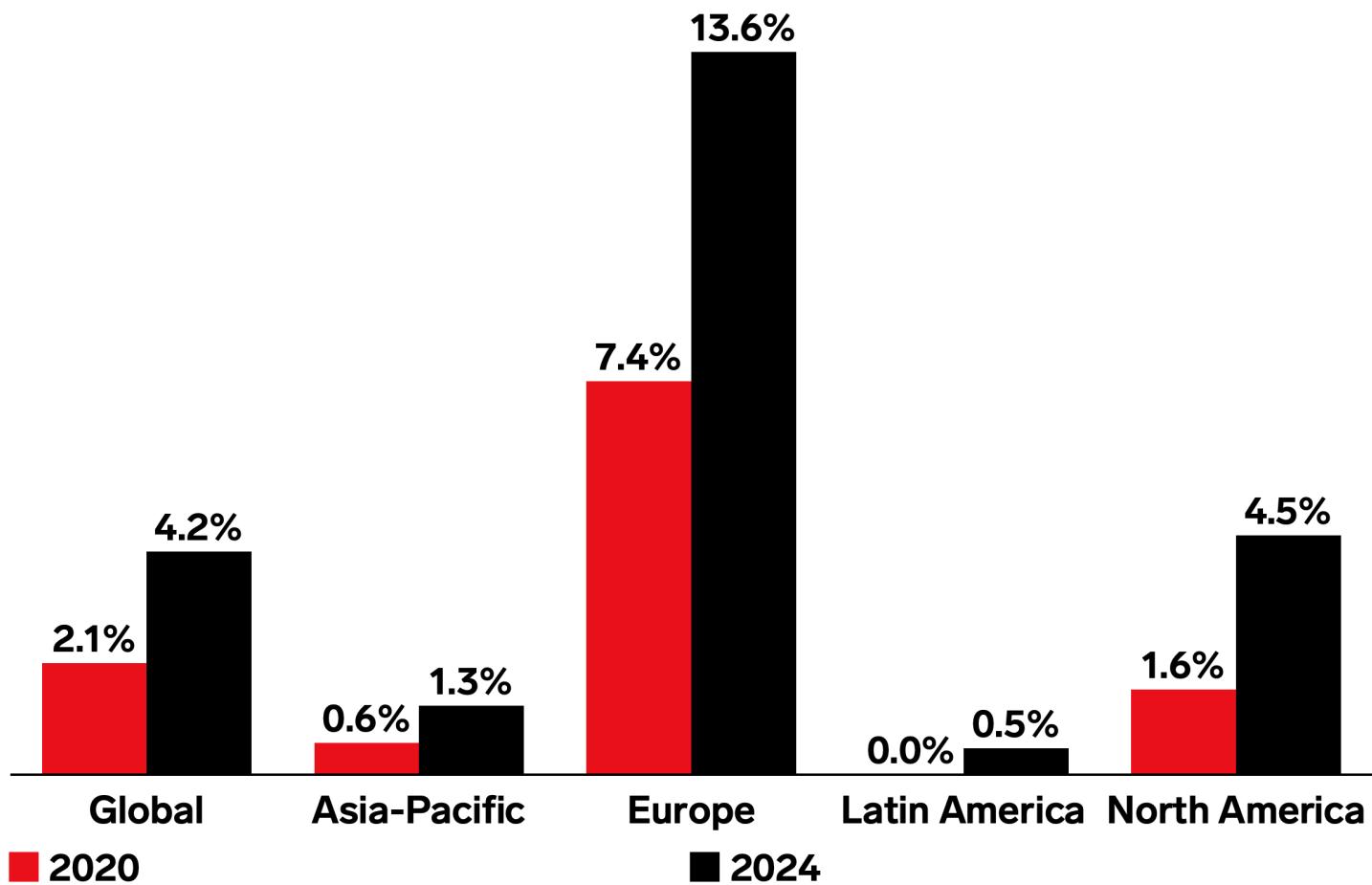
1. **Providers can expand into markets that remain largely untapped, but have a high appetite for credit solutions.**
- Countries like Australia, the US, and UK have become inundated with BNPL solutions, making it harder to stand out and gain market share.
  - Countries like India and Nigeria have tremendous potential because they have major retail markets and a vast population of credit-hungry consumers.
  - Klarna is likely adopting this approach with its recent move into Eastern Europe.
  - A similar approach could work for PayPal, which already has a vast merchant network spanning numerous global markets. This could become a base for launching its BNPL solution

in countries left largely untapped by BNPL providers.

## 2. Providers can also broaden their reach to cater to other sectors outside of traditional retail.

- Following the surge of BNPL retail partnerships last year, many popular retail brands already offer some type of BNPL or installment lending solution. Competition is intensifying in the traditional retail segment.
- BNPL providers are just starting to approach sectors like travel, professional services, and B2B—which might make them the next BNPL hotspots. Vsa Installments may offer an example a solution that could penetrate various segments, since it will work with issuers and merchants directly, regardless of their industry.

# Share of Ecommerce Transactions Made Using Buy Now, Pay Later Services



Note: Percent of BNPL transactions made online

Source: Worldpay from FIS, "The Global Payments Report," February 2021

Methodology: Data is from the February 2021 Worldpay from FIS report titled "The Global Payments Report," which measures transactions across 41 countries.

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