

BNPL firms have to get creative to offer rewards that rival credit cards

Article

The data: The number of US consumers who used buy now, pay later may have **doubled since 2021**, per a YouGov report, but they still **only account for 8% of shoppers**.

What would get more people on board? **Rewards**, according to a PYMTS-AWS survey.

- In all, **38.1% of respondents said rewards would improve their satisfaction** with BNPL providers. The average consumer is already [active in seven loyalty programs](#), and they want BNPL to be next.
- **Better store availability** and **higher credit limits** rounded out the top three wants at 32.5% and 32.1%, respectively.
- [Insider Intelligence research](#) has found that the consumers most want rewards that don't expire (56%). They also want to earn rewards on every purchase (52%) and for on-time payments (52%).

Basically, consumers want BNPL to be more like credit cards.

There's just one catch: Credit cards are something of a rare beast—what other payment method offers [6% back](#) on groceries or a [60,000-travel-point](#) introductory offer?

- They have that magic mix of interest income, interchange fees, and membership fees. The annual average return on asset for a credit card was about 4.41%, [per](#) the Federal Reserve.
- BNPL profit margins, by contrast, are razor thin—**just 1.01% in 2021**, [per](#) the CFPB. And many providers have never operated in a world without easy money and ultra-low interest rates. Many BNPL programs are still interest-free, and BNPL purchases are particularly prone to returns: 13.7% of individual loans involved a partial or full return in 2021, the CFPB found.

That doesn't give BNPL providers much runway for competitive rewards. **Affirm's** Debit+ card has [experimented](#) with rewards points, and **Klarna** also has a rewards [club](#). But they don't stack up to credit card programs, [where 3% cash back is fast becoming de rigueur](#).

What's the answer? BNPL firms can't stand up to credit card reward schemes on their own. Instead, they're going to need to tap their extensive merchant networks and partner on BNPL-exclusive rewards and offers.

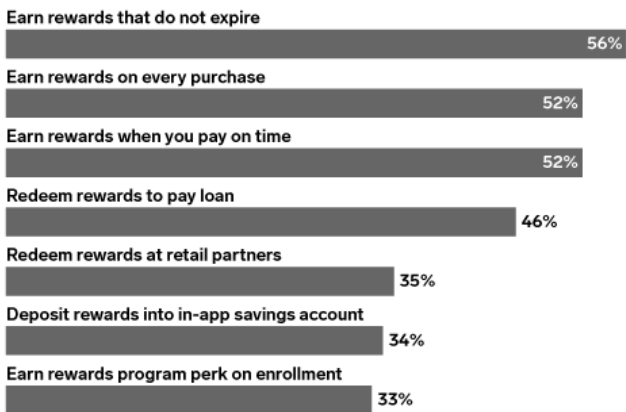
- They already do this to an extent—Klarna advertises more than [800](#) discounts on its “deals” page.
- But while those perks might satisfy a one-off purchase, like a \$20 off promo code, they're not incentivizing repeat use. And many of the discounts advertised on Klarna's deals page aren't BNPL-specific—they're just advertising retailers' site sales.

- They're also not what consumers want from BNPL rewards. Remember our findings: Rewards that don't expire, rewards on every purchase, and rewards when you pay on time.

Enhancing partnerships for exclusive deals and more robust deals could level the playing field with credit cards—and help BNPL firms double their user base again.

**Most Valuable Buy Now, Pay Later (BNPL)
Rewards Features According to US BNPL Users,
July 2022**

% of respondents who called each feature "extremely valuable"



Note: respondents were asked to rate each feature on a scale of 1-5 where 1="not valuable" and 5="extremely valuable"

Source: Insider Intelligence, "US Buy Now, Pay Later Feature Demand Report 2022," Sep 2022

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[InsiderIntelligence.com](https://www.insiderintelligence.com)