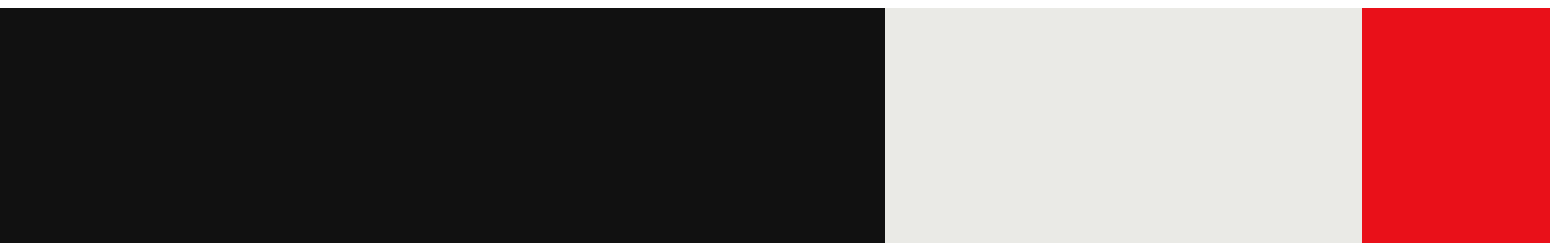



Almost 75% of BNPL users in the US are Gen Z or millennials

Article



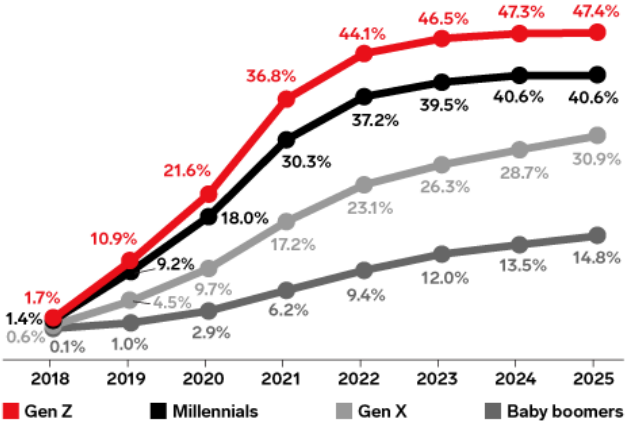
More than 45 million people ages 14 and older in the US will use buy now, pay later (BNPL) services this year, according to our inaugural user forecast for these financing options. That's up 81.2% over 2020, and the age range of BNPL users will widen over the coming years as well.

Back in 2018—when the key players of today, such as Affirm, Afterpay, and Klarna, were still establishing themselves as legitimate payment providers—more than 80% of BNPL users were millennials or Gen Zers 14 and over. That figure will drop to 73.2% this year, though younger consumers are still more willing than most to try alternative payment options.

Millennials will continue to make up the greatest share of the user base through the end of our forecast in 2025. Last year, more than 40% of BNPL service users were millennials. That said, Gen Z will eat into this share over the next four years, as this cohort ages into digital shopping.

Since BNPL payments became more mainstream, Gen Z digital buyers have been flocking to these alternative payment services in larger numbers than their millennial counterparts have. By the end of 2022, 44.1% of Gen Z digital buyers ages 14 and older will have used BNPL services at least once that year, compared with only 37.2% of millennial digital buyers.

US Buy Now, Pay Later (BNPL) User Penetration, by Generation, 2018-2025
 % of digital buyers in each group



Note: internet users 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 are individuals born between 1997 and 2012; millennials are individuals born between 1981 and 1996; Gen X are individuals born between 1965 and 1980; baby boomers are individuals born between 1946 and 1964
 Source: eMarketer, May 2021

A major draw of BNPL services, particularly for younger cohorts, is financial flexibility. These solutions provide younger consumers, whose cash flow tends to be more limited, with greater flexibility in payments, especially for larger-ticket items. In March 2021 polling by The Ascent, 45.0% of US adults who were BNPL users said they used these services to make purchases that otherwise wouldn't fit into their budget.

The top items respondents bought using these services include electronics, clothing and fashion items, furniture and appliances, and other digital leisure goods like movies, music, and games. Many of these are larger-ticket items, and some are purchased frequently by younger consumers. As BNPL solutions move more into services like travel, business services, and even healthcare, we expect adoption among older consumers will grow.

While Gen Z and millennials remain their target customers, BNPL services are increasingly turning their attention to Gen Xers and baby boomers. The top providers have long-standing partnerships with Forever 21, H&M, The RealReal, and other merchants with a youthful client base. And their strategy to reach older consumers may also center on partnerships: Last fall, Klarna announced a five-year tie-up with Macy's. We expect to see more BNPL services partnering with stores that have Gen X or boomer clientele in the coming months.

Still, there remain some barriers to adoption among older consumers. While recent data has shown more consumers are understanding how these services work, The Ascent found that among US adults who hadn't used BNPL services, nearly 20% said they don't understand them at all. Since each platform functions in a slightly different way, older consumers may become overwhelmed and leery of adopting any of these services at all.

"People need a certain level of digital comfort to access these platforms to begin with, since it involves downloading an app and sometimes searching through the app for products," said Oscar Orozco, eMarketer director of forecasting at Insider Intelligence.

The setup process alone can impede older consumers from giving the services a shot. "To counter some older users' aversion to digital interactions, merchants are increasingly moving toward integrating BNPL services in-store, which should help expand the user base to those ages 40 and older," Orozco said.

We forecast that in 2025, about 30% of BNPL service users will comprise of Gen X and baby boomers. Approximately the same share of users will be ages 45 and older. This year, 2.4% of internet users ages 65 and older will take up these financing services, and by the end of 2025, this figure will increase to 8.2%.

Even so, BNPL providers will likely find it hard to overcome the traditional payment habits of older generations. In The Ascent study, some non-BNPL users indicated a preference for using cash or bank-branded cards at the point-of-sale.

Given how entrenched cash and credit and debit cards are in the market, BNPL services seeking older users will have their work cut out for them.

