

PayPal's 400% YoY BNPL volume surge on Black Friday could tee up a prosperous holiday season

Article

The news: PayPal CEO Dan Schulman told CNBC that the company's buy now, pay later (BNPL) program generated **about 750,000 transactions** on Black Friday, reflecting **400% year-over-year (YoY) growth**. Schulman also said PayPal processed **more than \$1 billion in volume** from its BNPL program in November and added **more than 1 million first-time monthly users**—which puts the program at **“well over 10 million consumers.”**

How we got here: **Thirty percent of consumers** said they planned to use BNPL to stretch their holiday spending this year, [according to](#) Deloitte.

Solutions like PayPal's Pay in 4 are attractive because they give consumers payment flexibility without added costs: **39.4%** of US consumers said they use BNPL to avoid paying credit card interest, and **38.4%** said they used it to make a purchase that they otherwise wouldn't be able to fit in their budget, [per](#) a 2020 survey from The Motley Fool.

What this means: PayPal's BNPL program will be highly sought-after through the holiday season—making it harder for BNPL incumbents to compete.

- **BNPL will be an important volume-generating tool for PayPal in Q4.** PayPal's Black Friday results could foreshadow volume performance this holiday season—which is expected to net **\$1.147 trillion in retail sales**, [per](#) eMarketer forecasts from Insider Intelligence. Given BNPL's surge in popularity, PayPal could see an even larger boost in volume this quarter than last year—in Q4 2020, PayPal [processed](#) \$277 billion in total payment volume (+39% YoY).
- **PayPal poses a significant threat to BNPL incumbents.** Last year, BNPL incumbents like **Afterpay** and **Klarna** mostly vied for market share against each other—but this year, they face a flood of competition from [banks](#) and payment titans like PayPal and **Visa**. PayPal's vast customer base and merchant network give its BNPL program a large addressable market to work with that could be hard for incumbents to compete against this holiday season—and beyond.

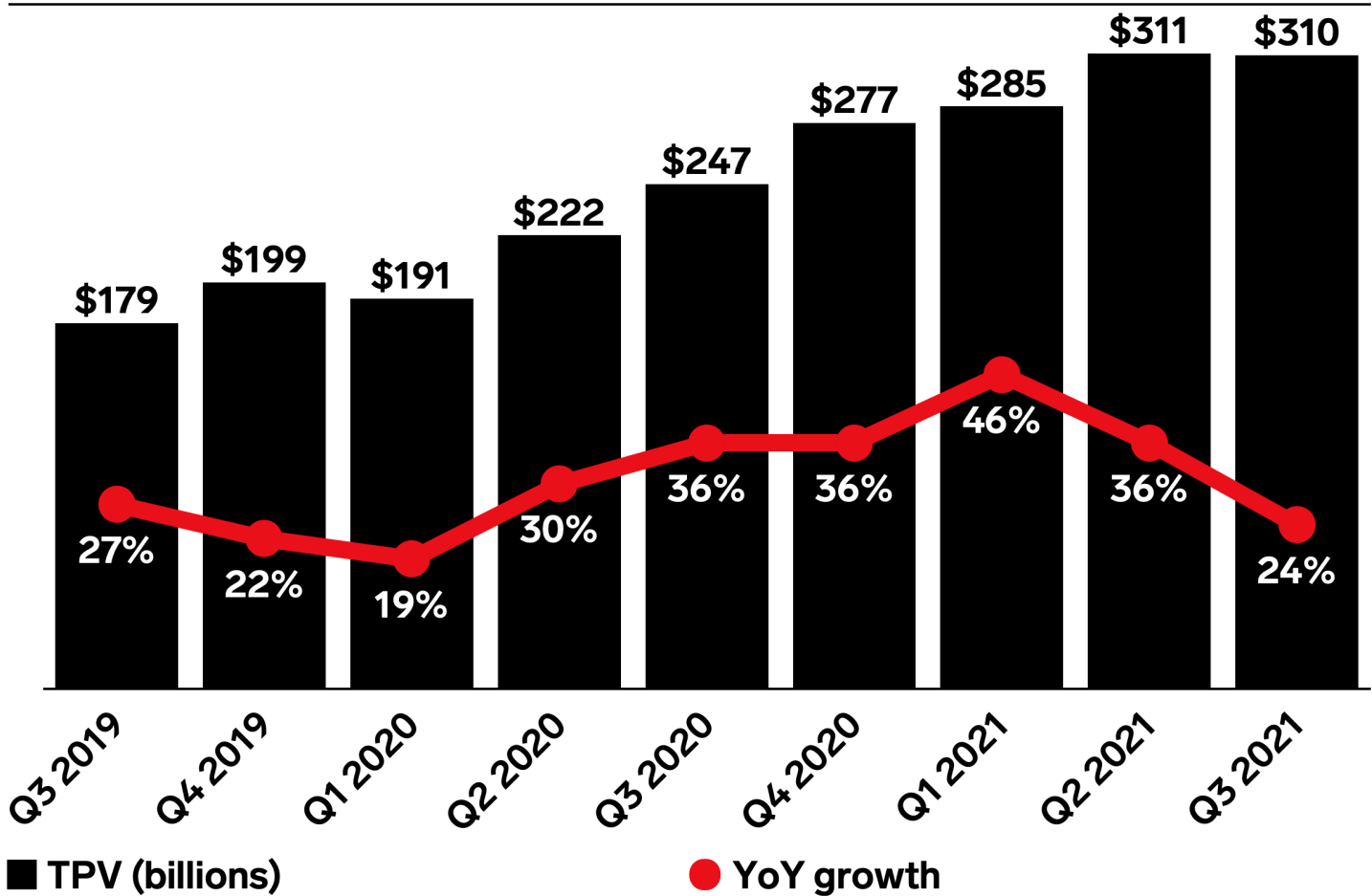
The bigger picture: While PayPal's BNPL seems to be gaining impressive traction, it may also highlight one of BNPL's biggest risks, especially during the holidays: overspending.

Credit experts warn that solutions like BNPL pose financial risks to consumers because they can make purchases (which may be well out of their budget) easily and with limited oversight. In fact, consumers tend to spend more per purchase when they use BNPL, [according to](#) McKinsey data cited by CNBC. This is one reason there's a greater push to [regulate](#) BNPL products, which providers like **Affirm** have [welcomed](#) despite the potential dip in revenues that it could cause.

Related content: Check out our latest coverage of PayPal's BNPL program to learn more about the payment titan's growing business segment.

- [PayPal snags Japan's Paidy to ramp up its buy now, pay later solutions](#)
- [PayPal, Klarna, and Visa make moves in the BNPL space as new growth opportunities emerge](#)
- [Venmo and BNPL carry PayPal to Q2 success](#)

PayPal Total Payment Volume (TPV) global



Note: growth is reported on a constant currency basis

Source: PayPal, 2021

Methodology: This data is from PayPal's quarterly earnings releases.

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