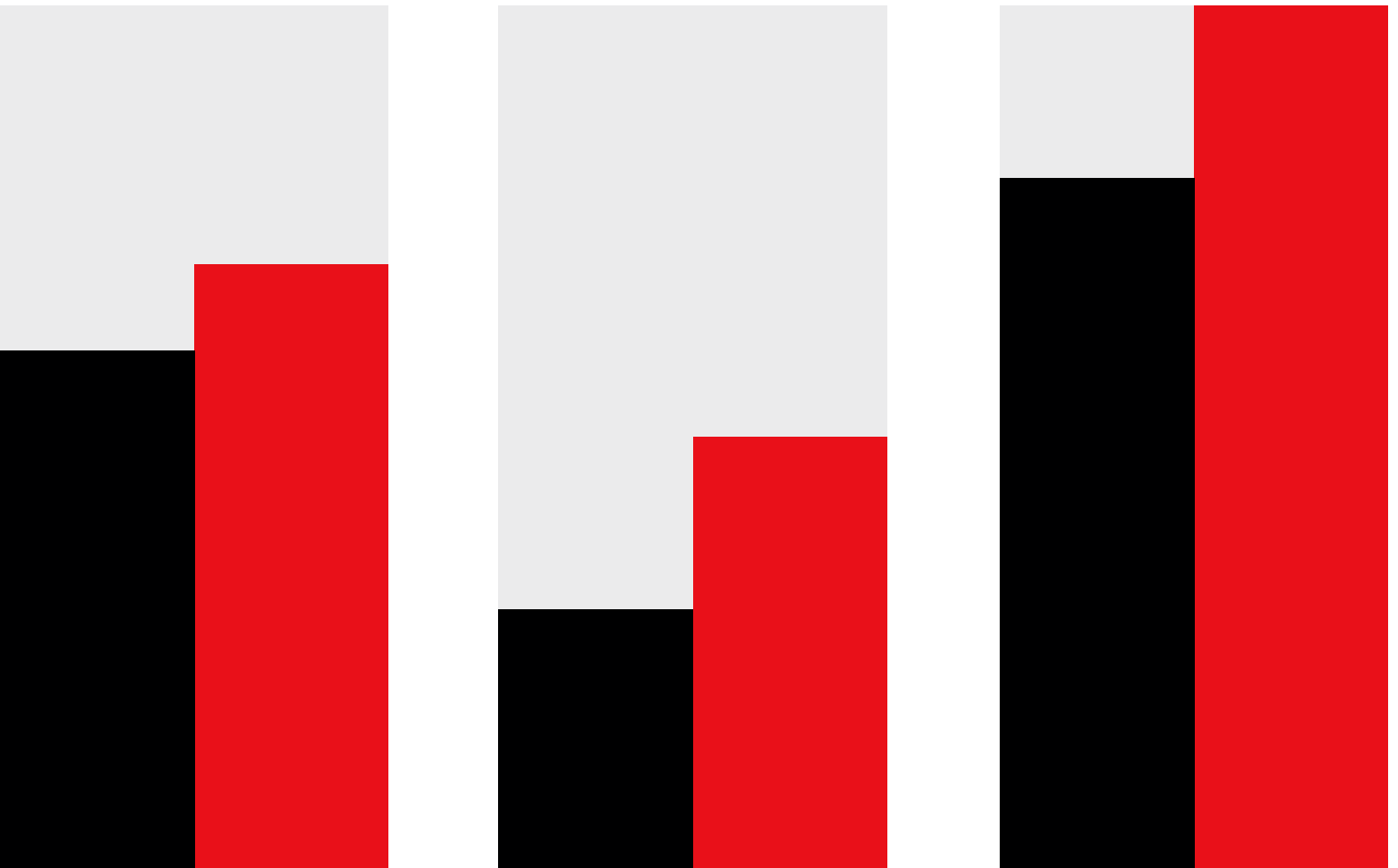


Apple Pay Later

How BNPL users may greet Apple's new product

Contributors: Dan Van Dyke



Apple Pay Later: How BNPL users may greet Apple's new product

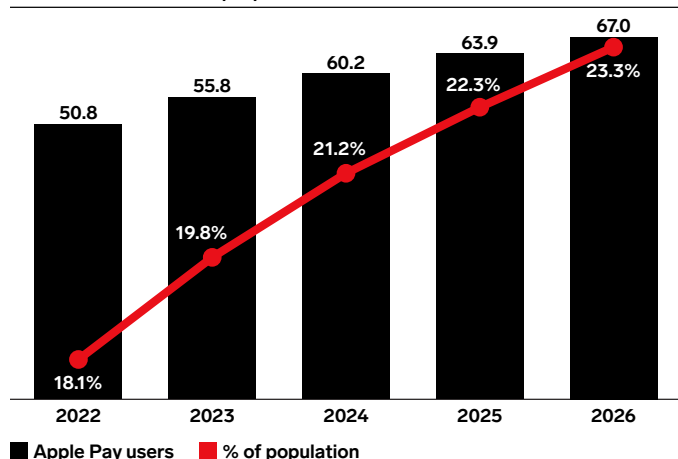
Apple's long-awaited buy now, pay later (BNPL) offering finally started rolling out this week, with some of its 55.8 million US Apple Pay users (according to our new March 2023 forecast) gaining access to a prerelease version. Merchants and competitors alike are watching to see what it offers consumers—and whether it can break into the already crowded BNPL field.

Our analyst team has identified five Apple Pay Later features as key to this early rollout. Read on to learn how valuable each will be to BNPL users at large—based on our exclusive survey data—as well as which BNPL users could be most valuable for Apple.

Our take on 5 announced product features

Below we evaluate how five of Apple Pay Later's key features are aligned with BNPL user interest, based on July 2022 survey data from our recent [US Buy Now, Pay Later Feature Demand Report](#).

US Apple Pay Users and Penetration, 2022-2026 millions and % of population



Note: ages 14+; mobile phone users who have made at least one proximity mobile payment transaction in the past month using Apple Pay
Source: Insider Intelligence, March 2023

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Respondents were asked to rate 49 BNPL features on a scale of 1 to 5, where 1 meant “not valuable” and 5 meant “extremely valuable”; “neutral” was not an option. Please see the report for detailed methodology and a deep dive into full results.

1 Make a loan payment without paying a service fee: “extremely valuable” to 52% of BNPL users

Apple can afford this fee-avoidance feature. It was the third-most valued feature of 49 in our study. Unlike most competitors, Apple hardly needs BNPL fee revenues, thanks to a \$53.36 billion cash hoard and 24.6% net profit margin generated across numerous revenue streams, as of December 2022. And keeping loan payments fee-free helps Apple stay in consumers’ and regulators’ good graces.

2 See all possible fees at checkout: “extremely valuable” to 44% of BNPL users

This feature helps Apple beat back regulatory concerns. Showing biweekly payment amounts and the total cost at checkout ensures customers are fully informed of their responsibility. It also gives Apple a head start on any future fee-disclosure regulations. Apple could take this further by including information on late and missed payment fees, giving users complete transparency.

3 Pay your loan using your debit card: “extremely valuable” to 40% of BNPL users

Apple meets limits risk by offering this prevalent BNPL payment option. A whopping 89% of “Pay in 4” loans made through the five leading US providers were paid by debit card in 2021, per a September 2022 report from the Consumer Financial Protection Bureau. And unlike credit cards—which Apple Pay Later will not accept—debit cards ensure customers don’t trade one debt for another.

4 Stop sharing data with marketers in-app: ranked “extremely valuable” by 39% of BNPL users

Apple gives customers privacy automatically. The tech giant promises to never share or sell users’ transaction and loan history to third parties for marketing purposes. The bargain was likely easy for Apple: Unlike BNPL competitors, it doesn’t need to rely on data-sharing revenues to achieve profitability.

5 Report payment history to credit agencies: ranked “extremely valuable” by 32% of BNPL users

Apple’s loan reporting strategy pushes financial wellness. Apple plans to report loans to US credit bureaus starting in the fall. This ensures the loans are reflected in the consumer’s overall financial profiles and promotes responsible lending.

Which BNPL users will be most valuable for Apple?

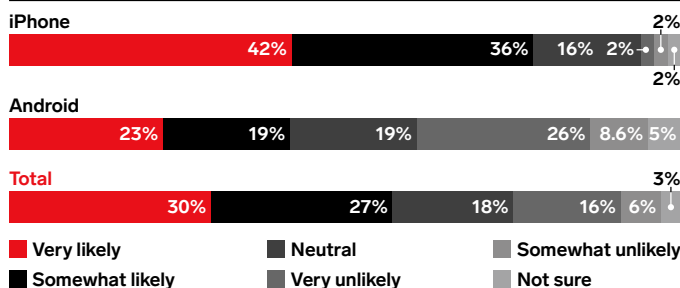
Apple’s greatest benefit from launching a BNPL service is in driving engagement—across not just Apple Pay Later but also its wider product offerings. Our survey data reveals great interest among three groups of BNPL users in particular: iPhone users, young BNPL users, and high-income users.

While intention data doesn’t guarantee consumer action, Apple should focus on these groups to maximize engagement:

- **Apple Pay Later could energize the company’s existing fanbase.** In our survey, 78% of iPhone owners who use BNPL said they were “very” or “somewhat likely” to adopt Apple Pay Later. The new product could give iPhone users another reason to use Apple Wallet, drawing them deeper into the Apple ecosystem. It could even woo Android loyalists: Google Pay presently has no proprietary BNPL option.

Likelihood That US Buy Now, Pay Later (BNPL) Users Will Use the Apple BNPL Service, by Smartphone Ownership, July 2022

% of respondents in each group



Note: in the next 12 months; numbers may not add up to 100% due to rounding
Source: Insider Intelligence, “US Buy Now, Pay Later Feature Demand Report 2022,” Sep 2022

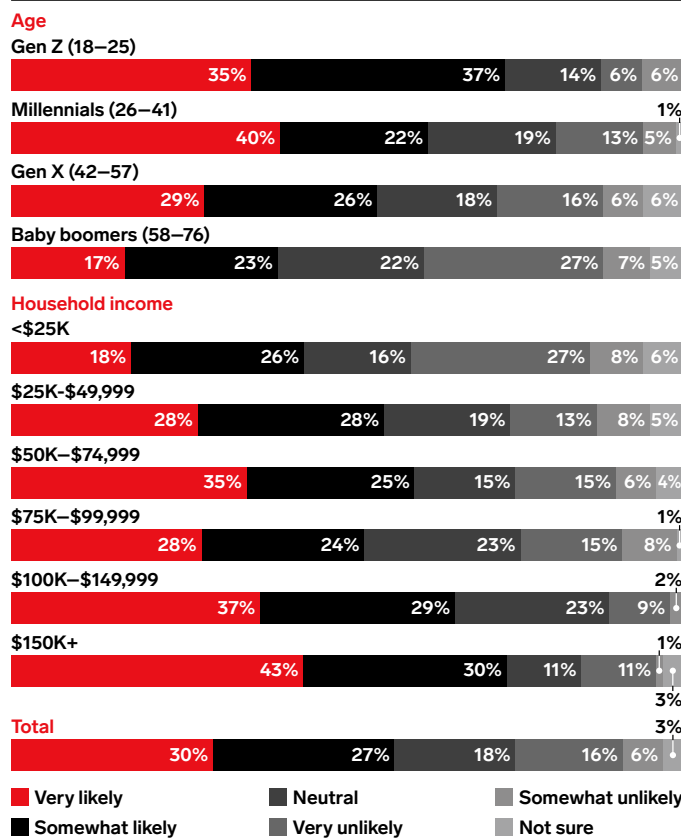
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- **Usage among younger consumers could help Apple build lasting financial relationships.** About half of 18- to 34-year-old consumers currently use BNPL, per our [forecast](#)—and that figure is rising. Apple Pay Later not only fills this need but also positions Apple to cross-sell BNPL users into its growing suite of financial services.
- **Higher-income Apple Pay Later users could capture retailers’ attention.** About 73% of BNPL users with an annual household income of \$150,000 or more said they were “very” or “somewhat likely” to adopt Apple Pay Later. This could give Apple a more affluent base of BNPL users than competitors—meaning less lending risk for its in-house BNPL underwriting. Plus, retailers could be keener to enable Apple Pay Later, so as to tap users’ deeper pockets.

Likelihood That US Buy Now, Pay Later (BNPL) Users Will Use the Apple BNPL Service, by Demographic, July 2022

% of respondents in each group



Note: in the next 12 months; numbers may not add up to 100% due to rounding
Source: Insider Intelligence, “US Buy Now, Pay Later Feature Demand Report 2022,” Sep 2022

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Sources

[Apple](#)

[Consumer Financial Protection Bureau](#)

[Google](#)

[Macrotrends](#)

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