

# BNPL is having a banner holiday season. But can healthy performance now transform itself into a strong later?

Article

Orders made via **buy now, pay later (BNPL)** increased 85% over Cyber Five, according to Adobe Analytics. “It’s a win-win for retailers” as it **increases basket size and boosts conversion rates**, our analyst Grace Broadbent said on the “**Behind the Numbers: Reimagining Retail**” podcast.

**Buy now, why now?** Shoppers, especially younger ones, are cash-strapped this holiday season. But after two years of restrictions, many want to spend, even as the cost of goods goes up.

- “We might be seeing a bit of YOLO spending, like you only live once,” said our analyst, Sky Canaves. People want to “make the most of these holidays,” which is pushing them toward BNPL.
- And people can now use BNPL for pretty much anything. What once was mainly a service for fashion and beauty is now available for travel, dining, and entertainment.
- BNPL adoption is increasing across merchants and age groups.

**Expect a “holiday hangover” in the first quarter.** “There’s going to be a bit more of a reckoning next year,” Canaves said. BNPL users who spent heavily in December will likely be more reserved with spending in the following few months.

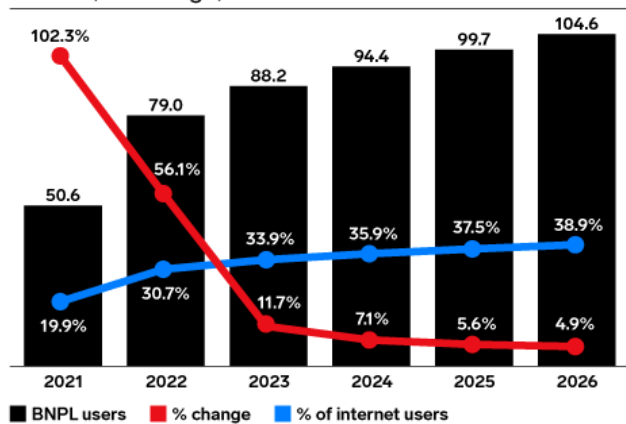
But even with a potential post-holiday slump, BNPL is here to stay. “It’s getting into people’s habits, their routines, to pay with this, and we definitely expect those habits to continue on,” said Broadbent.

**Gen Z will use BNPL for life**, according to Broadbent. “They will also adopt credit cards, but I think it’s going to be a both situation and not an either/or,” which is something our forecast reflects.

- One-third of US internet users will also be BNPL users next year.
- More than half of US internet users ages 18 to 34 will use BNPLs.
- People ages 35 and under make up more than half of all US BNPL users.
- Broadbent said Gen Z’s aversion to debt is pushing young adults away from credit cards and toward BNPLs.

## US Buy Now, Pay Later (BNPL) Users, 2021-2026

millions, % change, and % of internet users



Note: ages 14+; internet users who have accessed a buy now, pay later account digitally and have made a payment toward a purchase at least once in the past year; includes purchases of goods and services

Source: Insider Intelligence, June 2022

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InsiderIntelligence.com

**BNPL will change credit card use, not the other way around.** “Savvy BNPL users will use credit cards to pay for BNPL purchases. It will spread the purchases out a little further and allow them to gain the rewards of the credit cards,” according to Canaves.

**Proceed with caution,** because the BNPL landscape is definitely changing.

- Credit cards and payment networks are launching their own BNPL solutions to compete with fintechs, which are not profitable.
- The regulations are coming. Regulators are investigating the dangers BNPLs pose to consumers, who could be racking up multiple debts without realizing.
- People are using BNPLs on things like food, gas, and medical bills they can’t otherwise afford. For many, BNPLs are just a new way to accrue debt.

**Key takeaways:** BNPL is here to stay, even as the fintechs that invented the service face challenges. That’s good news for retailers, but it’s a risk to consumers. Nonetheless, the BNPL train is already rolling, and come 2026, close to 40% of US internet users will be buying now and paying later.

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