



Buy now, pay later: the next generation of payments

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Worldpay's [The Global Payments Report 2023](#) projects that BNPL will account for 6% of the value of e-commerce transactions globally and 7% in the US in 2026. In some countries, it could account for much more — up to 25% in Germany and 14% in Australia.

At the same time, whether or not consumers choose BNPL depends a lot on their “persona,” or shopping profile, at any given time. While BNPL is an option that spans all six of the personas in the report, it’s more likely to be chosen by consumers when they are “Aspirational Shoppers” and value sustainability, or “Trendsetters” who love the latest technology.

With such a wide variety of payment methods and flexible consumer shopping “personalities”, there’s a “big opportunity (for merchants) to be more personalized” by presenting the right mix of payment options, said Eric Queathem, WorldPay’s EVP and Global Head of Merchant Strategy and Growth.

For some merchants, payment options have become integrated into the entire product marketing process.

“BNPL has, surprisingly, very quickly become a key component, even in our product release strategy,” said Dan England, Global Director of Payments for beauty and wellness marketer Nu Skin. “It has become a key part of our basic business strategy because it can be very well targeted and so effective in driving sales. And the customer reaction has been overwhelmingly positive.”

Payment options also can be an essential part of an effective customer loyalty program. Because retaining an existing customer costs about a fifth of the cost of acquiring a new one, extending the customer lifecycle is essential, said Maria Albonico, a partner at McKinsey. “Truly being able to engage consumers goes beyond product,” she noted, and shoppers appreciate “personalized journeys over the purchase chain.”

That is an area where Affirm’s technology can play a big role, by providing consumers a transparent BNPL option with no hidden fees, and giving merchants a highly flexible tool for hyper-targeting offers.

“At Affirm, we had 90% of all transactions last quarter come from existing users,” said Vishal Kapoor, Head of Product for Affirm. “Consumers have more options to use it as more merchants offer it, and by driving conversion and bringing new audiences to the merchants that repeat user flywheel keeps going.”

BNPL is also proving to be an important component of digital wallets, which are becoming almost ubiquitous for e-commerce. England pointed out the importance of making checkout as efficient as possible to avoid cart abandonment, a plus for digital wallets where the customer’s data is pre-loaded and they can use “one-click” checkouts instead of being directed to a third-party payment site. Another reason to put BNPL into digital wallets: As more consumers are choosing a single shopping *destination* rather than a single brand, including BNPL options in their wallets can increase sales and conversion.

“BNPL and Affirm are being preferred by consumers who are dissatisfied with traditional credit cards and want more transparent, flexible options without additional fees,” said Vishal Kapoor, Head of Product for Affirm. To make digital wallets more valuable to those shoppers as well as merchants, he said, “BNPL becomes a very important thing for wallets to include.”

BNPL will also play a larger role in this year’s holiday season, as consumers look for better deals because of the economy. While traditionally, merchants engage in heavy discounting in a tighter economy, that’s not necessarily the best option, Kapoor said. While some merchants have been considering discounts of as much as 35% in some cases, “a better option is 0% financing like Affirm can provide,” he said. “It is a better alternative than deep discounts that affect the (perception of the) brand.”

In case you missed our webinar with experts from Worldpay, McKinsey & Company, Affirm and NuSkin, [listen to the entire recording here](#).