

# Buy Now, Pay Later 101

A global overview of the basics of the innovative digital payment of the decade



## What is Buy Now, Pay Later?



Buy Now, Pay Later (BNPL) is an **alternative payment method** that allows consumers to purchase goods and services through **installments**.

BNPL has quickly established itself in the global payments landscape as consumers are increasingly drawn to offers of **zero-interest** and **no fee installment plans**.

## BNPL in numbers

2018

80% of customers were millennials or gen Z

~25% of all ecommerce transactions in Sweden were via BNPL

2019

2020

8m number of downloads of Swedish Klarna, the largest European player

top 10 global BNPL markets were European

19%

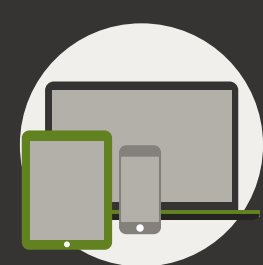
of consumers report using installment plans as a payment method

50%

are likely to consider using them in the future

Today

Most common categories of spending for BNPL services:



Electronics



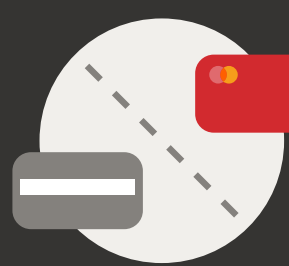
Clothing and fashion



Beauty and cosmetics

## Benefits

### Consumer benefits



BNPL increases the purchasing power of consumers allowing them to split payments over time



Setting up an account takes no more than a few minutes with little personal information



Credit approval is given in seconds

### Merchant benefits



Strong competitive positioning



Sales enhancement and improved cash flow

## The future of Buy Now, Pay Later

BNPL players must take two important decisions:

- ✓ Strategic decision on how much risk the company can bear
- ✓ How to perform the credit check, and which credit scoring model to leverage



## Challenges



Heavier regulatory provisions amid concerns over potential targeting of vulnerable consumers who may be prone to excessive spending



BNPL providers, exposed to customers with a higher risk rate, end up being increasingly vulnerable to potential losses

Mastercard customers and partners can learn more in "Buy Now, Pay Later 101," a new white paper available on [Market Trends](#), the company's business intelligence platform