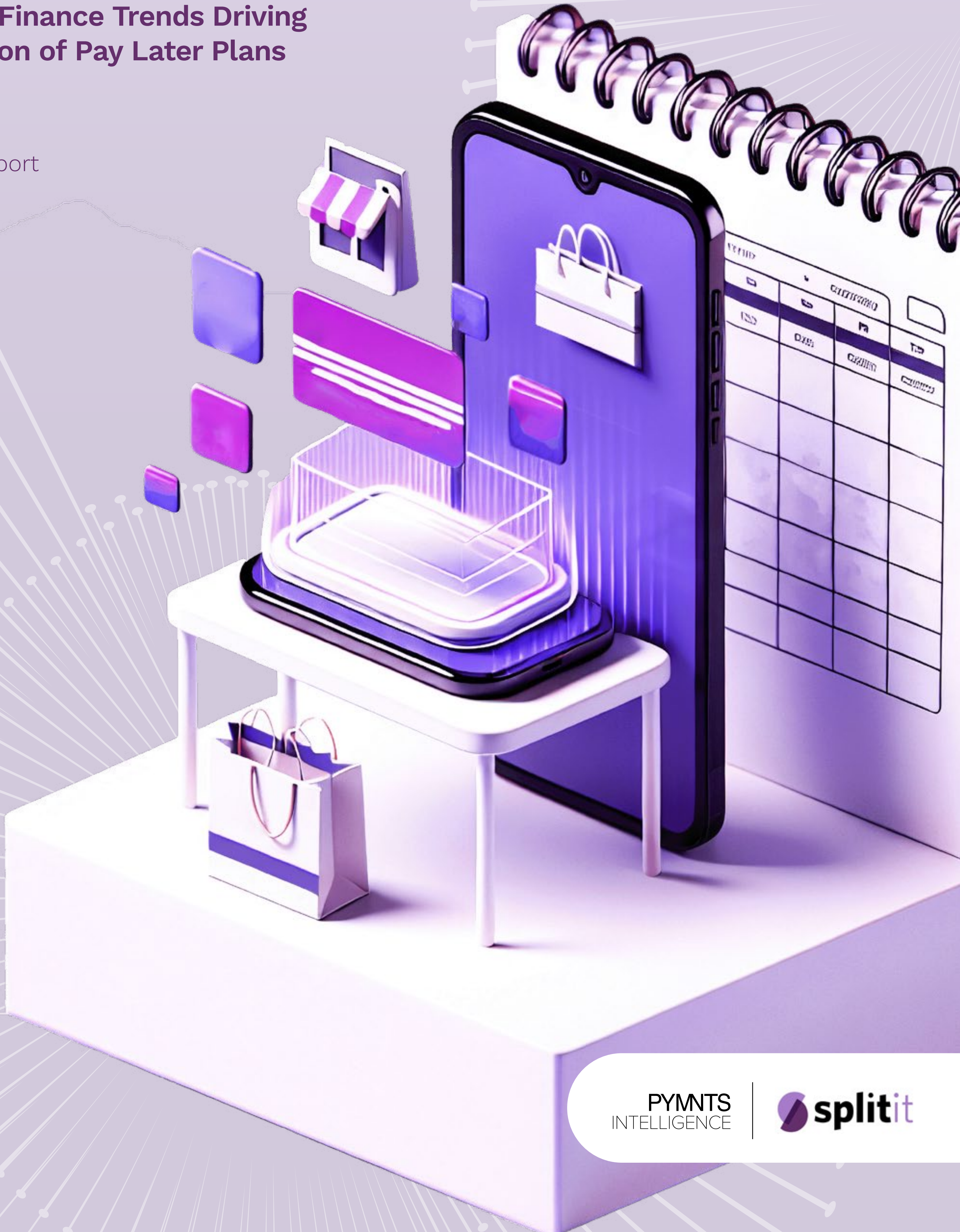
REDEFINING RETAIL

Consumer Finance Trends Driving the Evolution of Pay Later Plans

May 2024 Report



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Redefining Retail: Consumer Finance Trends Driving the Evolution of Pay Later Plans was produced in collaboration with Splitit, and PYMNTS Intelligence is grateful for the company's support and insight. PYMNTS Intelligence retains full editorial control over the following findings, methodology and data analysis.

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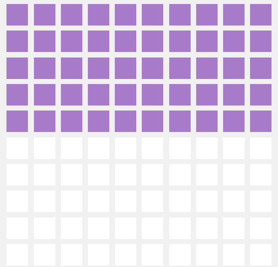
WHAT'S **AT STAKE**

Pay later plans have established their value as an alternative payment method that offers many consumers flexibility and better spend management. The latest PYMNTS Intelligence data details consumers' dynamic preferences for these plans. For example, Generation Z has maintained a steady usage rate for pay later plans in the past six months, counterbalancing a slight dip in general usage during that span as consumer spending contracted in some sectors.

As the latest data shows, pay later options — which include buy now, pay later (BNPL) as well as general-purpose card-linked installment plans and those linked to merchant or store cards — hold particular appeal to consumers seeking to take a more active role in managing their spending. Gen Z remains a consistent user base, supporting that this is the role installment plans play for them. This generation also understands better than any other that BNPL represents a new loan — 73% of Gen Z consumers shared this accurate view — yet, interestingly, they are least likely to care about installment plans' impact on their credit.

50%



Share of consumers who would be likely to switch to another merchant if that merchant offered pay later plans with their existing credit cards during checkout

How consumers feel about pay later plans now significantly influences where they shop. Roughly half of all shoppers, including those who have not yet used pay later plans, would consider switching retailers for access to plan offerings.

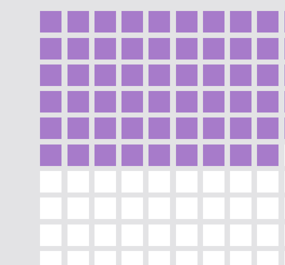
When choosing a specific pay later option — perhaps BNPL or a card-linked installment plan — data reveals that consumers increasingly consider purchase size. Consumers often use BNPL for low-value purchases. By contrast, our data finds that card-linked installment plans using existing general purpose credit are used far more often than BNPL for big-ticket items: 33% versus 21%.[1] These trends indicate that the average user of pay later plans has become more discerning in how they integrate these options into their budgeting and spending strategies.

[1] "Big-ticket" items represent products costing $1,000 or more that were split into installments in the last 12 months.

These are just some of the findings detailed in Redefining Retail: Consumer Finance Trends Driving the Evolution of Split-Payment Plans, a PYMNTS Intelligence and Splitit collaboration. This edition examines consumer use of pay later plans and draws on insights from a survey of 2,655 consumers conducted from Feb. 13 to March 11.

This is what we learned.

59%



Share of consumers who use pay later plans to help them better manage their spending around big-ticket purchases such as home furnishings and appliances

KEY FINDINGS

01

USAGE CONSIDERATIONS

While pay later plan use has declined for some discretionary purchases like dining out, its use for considered purchases, such as home furnishings, has outperformed retail spend trends.

65%

Share of Gen Z and millennials who have used any type of pay later plan in the last year

02

MERCHANT INFLUENCE

Consumers, especially from Gen Z, increasingly select merchants based on the availability of pay later plans.

67%

Portion of consumers who use pay later plans that are likely to switch merchants based on installment plan offerings that are linked to an existing credit card and presented at checkout

03

PURCHASE PREFERENCE

Consumers favor card-linked pay later plans for big-ticket items and more commonly use BNPL for regular purchases.

33%

Share of consumers who would specifically choose credit card-linked installments for a big-ticket purchase — more than any other pay later option

04

BNPL MISCONCEPTIONS

A sizable share of consumers fail to understand that BNPL is a loan, and even among those who do, many do not care how it impacts their credit.

73%

Share of Gen Z consumers who understand BNPL is a new loan, although more than two-thirds of this group are unconcerned about BNPL's impact on their credit utilization

PYMNTS INTELLIGENCE IN DEPTH

The steady engagement of Gen Z consumers with pay later plans remains prominent, even as use overall has dipped somewhat for the plans over the past six months.

Most consumers embraced pay later plans in the last year, with younger demographic groups showing a distinct preference for BNPL options. Roughly two in three Gen Z and millennial consumers used pay later plans in this period, whereas two in five baby boomers and seniors did so in that same span. This generational divide could suggest that BNPL plans are more appealing to consumers with shorter credit histories or more fluctuating budgets.

FIGURE 1:

Who uses pay later plans?

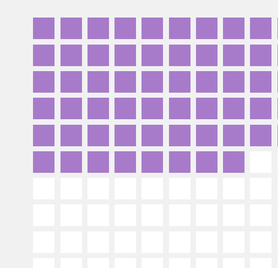
Share of consumers who used pay later plans in the last 12 months, by demographic

	Any type of pay later plan	General-purpose credit card-linked installment plan	Merchant or store card-linked installment plan	BNPL
SAMPLE	53.9%	39.6%	30.0%	33.2%
INCOME				
• More than $100K	52.1%	38.7%	32.2%	32.2%
• $50K-$100K	61.6%	46.4%	32.7%	38.3%
• Less than $50K	49.0%	34.4%	25.0%	29.6%
GENERATION				
• Baby boomers and seniors	39.6%	29.6%	21.9%	15.9%
• Generation X	53.8%	39.3%	32.6%	32.8%
• Bridge millennials	58.2%	41.2%	29.9%	38.0%
• Millennials	64.8%	46.2%	33.0%	47.1%
• Generation Z	65.2%	49.9%	38.4%	45.8%
FINANCIAL LIFESTYLE				
• Live paycheck to paycheck with issues paying bills	59.2%	43.3%	31.3%	42.7%
• Live paycheck to paycheck without issues paying bills	57.6%	39.4%	32.8%	38.5%
• Do not live paycheck to paycheck	32.0%	22.6%	16.3%	17.5%

Source: PYMNTS Intelligence
Redefining Retail: Consumer Finance Trends Driving the Evolution of Pay Later Plans, May 2024
N = 2,655: Whole sample, fielded Feb. 13, 2024 – March 11, 2024

Consider usage among paycheck-to-paycheck consumers. Data shows that 58% of consumers who live paycheck to paycheck without issues paying bills used an pay later plan of any type in the past year. For comparison, 59% of consumers who live paycheck to paycheck with issues paying bills used a plan, as did 32% of consumers who do not live paycheck to paycheck. Living paycheck to paycheck and needing to absorb short-term fluctuations appears to be the differentiator that correlates with an uptick in use. This trend points to the potential for retailers to provide budget-sensitive consumer segments with tailored pay later solutions.

58%



of consumers who live paycheck to paycheck without issues paying bills used a pay later plan of any type in the past year.

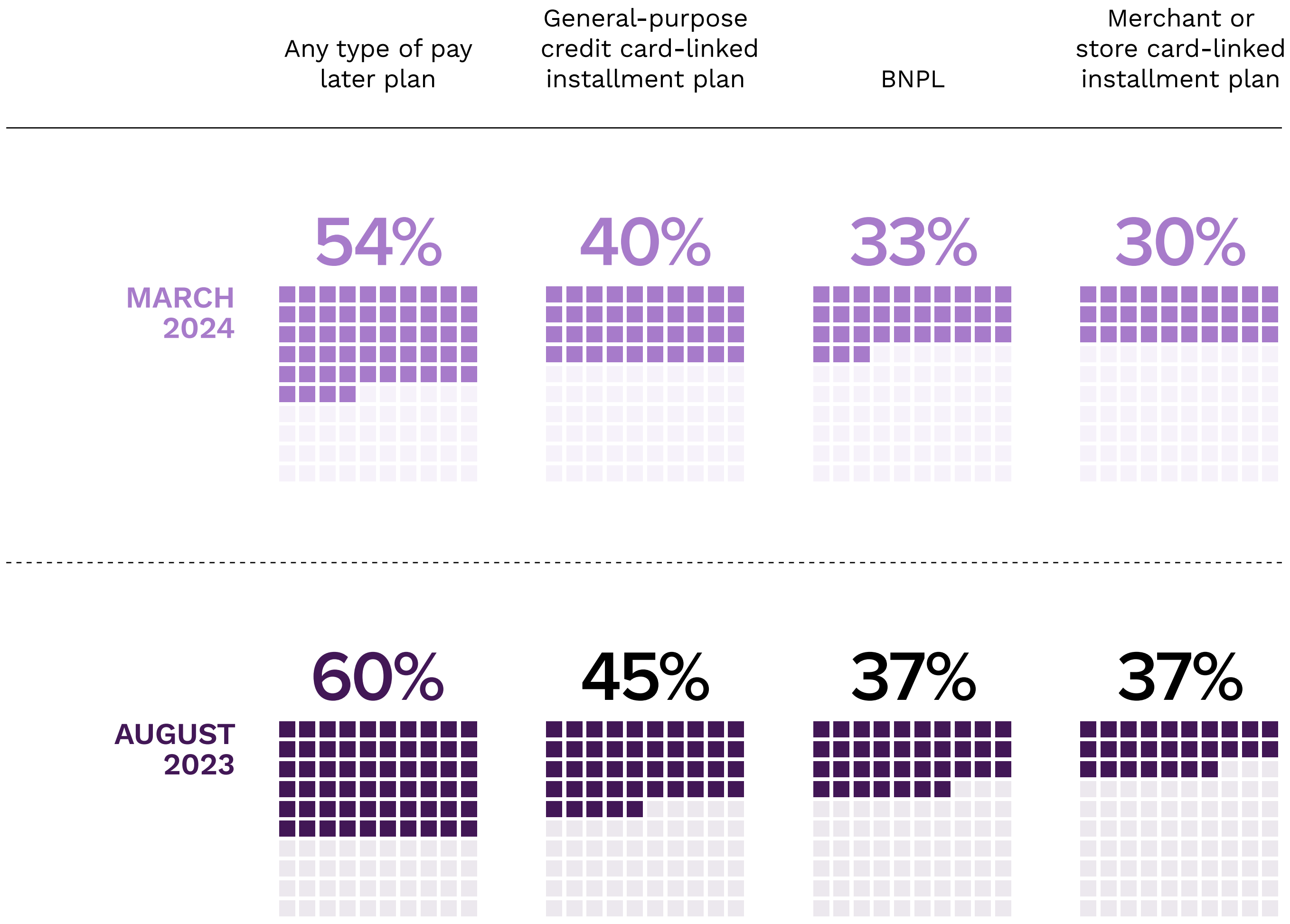
The landscape of split payment usage continues to evolve as spending patterns fluctuate. Although many factors may be involved, the recent dip in pay later usage seems mostly due to a broader decline in spending.[2] For further analysis, see page 27, and for the full data by category, see Figure 8 in the Appendix on page 42. Overall, installment plans remain popular, especially among millennial and Gen Z consumers.

> Overall, installment plans remain popular despite consumers spending less on large purchases.

FIGURE 2:

Pay later plan usage

Share of consumers who used pay later methods in the last 12 months, by type of plan



Source: PYMNTS Intelligence

Redefining Retail: Consumer Finance Trends Driving the Evolution of Pay Later Plans, May 2024

N = 2,655: Whole sample, fielded Feb. 13, 2024 – March 11, 2024

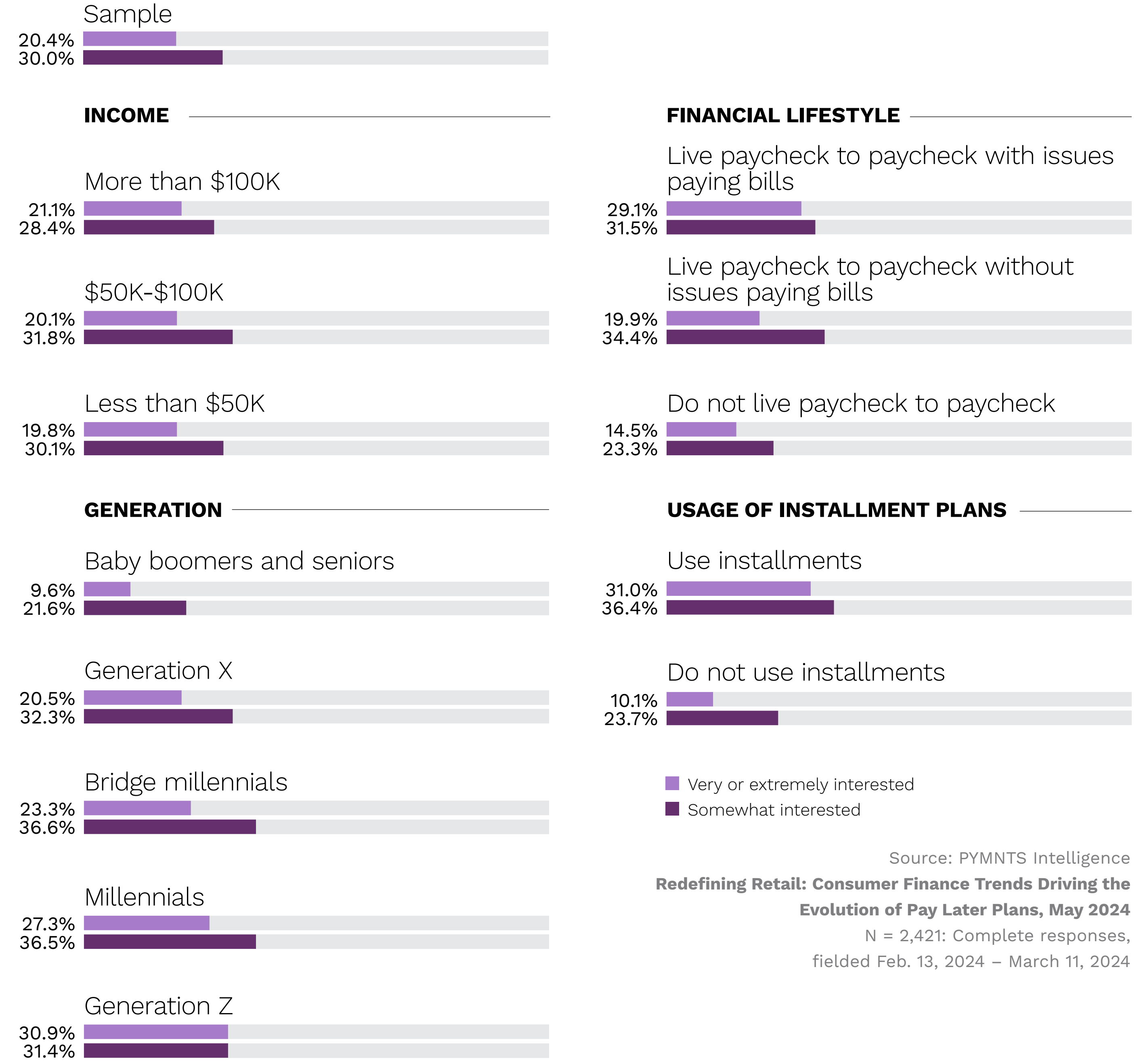
[2] Author unknown. Advance Monthly Sales for Retail and Food Services. The United States Census Bureau. 2024. https://www2.census.gov/retail/releases/historical/marts/adv2403.pdf. Accessed April 26, 2024.

Consumers choose merchants based on pay later plan offerings, with Gen Z the most likely to have high interest to switch merchants based on plan offerings.

Pay later options now play a significant role in shaping purchasing decisions: Half of shoppers indicate a likelihood to favor merchants offering pay later plans that work with an existing credit card at checkout. This has become a hallmark of Gen Z, with 31% of consumers from this demographic expressing the highest propensity to switch to merchants that provide such payment flexibility. However, all current pay later plan users share this inclination, with two-thirds of consumers who use pay later plans likely to switch merchants to access these plan offerings at checkout.

FIGURE 3:

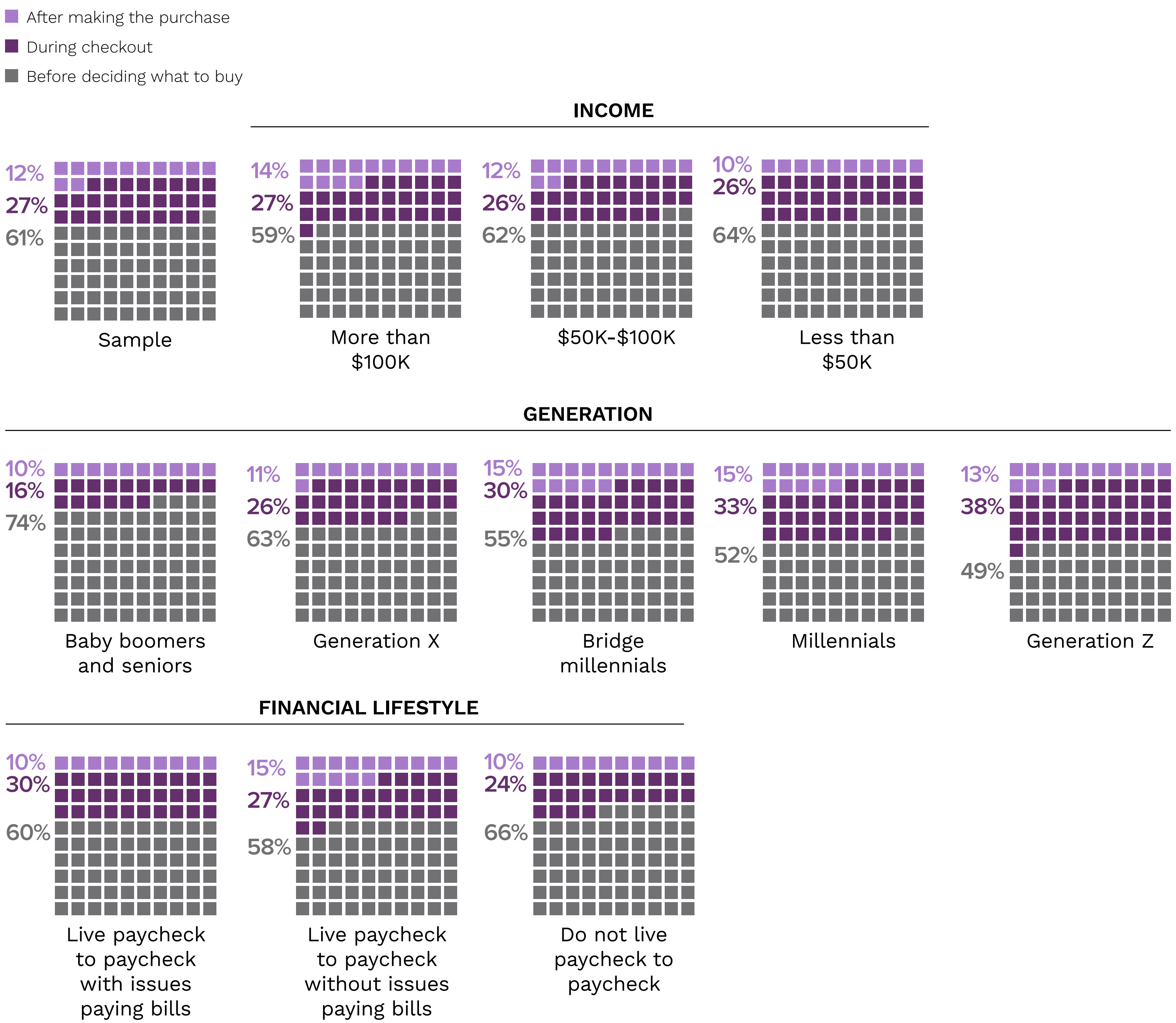
Loyalty to payment preference versus loyalty to retailers
Share of consumers who are likely to switch to a different merchant if offered installment plans using their existing credit cards during checkout



Source: PYMNTS Intelligence
Redefining Retail: Consumer Finance Trends Driving the Evolution of Pay Later Plans, May 2024
N = 2,421: Complete responses, fielded Feb. 13, 2024 – March 11, 2024

FIGURE 4:

When consumers want to learn about pay later options
Share of consumers citing when they ideally prefer a merchant to offer an pay later plan that uses the existing limit on their bank-issued credit card



Source: PYMNTS Intelligence
Redefining Retail: Consumer Finance Trends Driving the Evolution of Pay Later Plans, May 2024
N = 2,421: Complete responses, fielded Feb. 13, 2024 – March 11, 2024

This data suggests that pay later plans, especially those using a consumer's existing credit card during checkout, are not mere transaction tools but critical factors driving consumer loyalty and retailer selection. For merchants, this represents a clear call to action: Offering and promoting pay later plans can capture more potential users at that crucial point in their shopping journey, when they are still browsing and deciding what to buy.

Merchants can offer pay later plans before, during or after checkout, and this timing is proving to be a critical factor in consumer decision-making. Roughly half to three-quarters of consumers prefer learning about pay later plans before deciding what to buy, with Gen Z on the low end, at 48%, and baby boomers and seniors most likely to prefer learning in advance, at 74%. In practice, the actual decision most often occurs during the checkout process — whether in-store or online.

By extending pay later options throughout the shopping experience — not just at the point of sale — merchants tap into the connection of availability and visibility in offering the plans and improving customer loyalty. It also offers a strategic opportunity: Presenting these options early and consistently could help merchants influence their customers' choices, as most pay later plan users want plans offered before they decide what to purchase.

As the market matures, card-linked installment plans are becoming the go-to for big-ticket items, while BNPL has gained traction for everyday purchases.

Usage data for various pay later plans reveals that consumers reach for specific plans based on the type and value of their purchase. Overall, consumers are more inclined to use these plans on big-ticket purchases, with 52% of Gen X and baby boomers and seniors opting for pay later options using their general-purpose cards for purchases exceeding $1,000. This contrasts with the 37% of these consumers choosing such plans for lower-value items.

Overall, consumers favor general-purpose credit card-linked installments for more expensive products, while BNPL schemes are increasingly the choice for regular, smaller purchases.

The expansion of BNPL use in recent years underscores growing consumer appetite for financing options tailored to smaller purchases. The average minimum purchase price for BNPL users to consider a plan hovers near $700 — roughly $500 less than the corresponding average for general-purpose credit card-linked installment plans.

> **Three in 4 millennials** would choose a split-payment option for a big-ticket purchase — primarily general-purpose credit card-linked installment plans.

While general-purpose credit card-linked installment plans are the preferred choice for all consumers across generations, BNPL is used more by Gen Z and millennial consumers, with low average thresholds to consider use: around $583 and $636, respectively. Lower purchase price thresholds for using a pay later option generally means that consumers are more likely to consider using a plan, as a greater number of purchases can qualify.

These figures are significantly less than the average minimum purchase amounts for consumers to consider general-purpose credit card-linked installment plans — which baby boomers and seniors prefer the most. Bridge millennials and Gen X consumers, who tend to have more spending power, consider using credit card-linked installment plans at the highest purchase values.

FIGURE 5:

Price level for pay later plan consideration
Share of consumers citing the average minimum purchase size for which they would consider using an installment plan, by generation

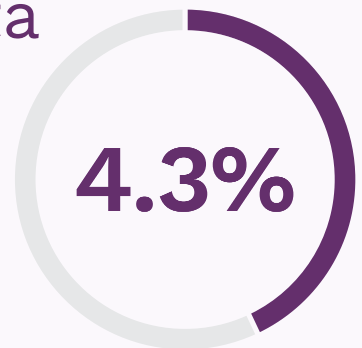
	General-purpose credit card-linked installment plan	Merchant or store card-linked installment plan	BNPL
SAMPLE	$1,180	$944	$688
GENERATION			
• Baby boomers and seniors	$1,132	$1,113	$685
• Generation X	$1,255	$570	$702
• Bridge millennials	$1,517	$1,154	$818
• Millennials	$1,110	$978	$636
• Generation Z	$798	$546	$583

Source: PYMNTS Intelligence
Redefining Retail: Consumer Finance Trends Driving the Evolution of Pay Later Plans, May 2024
N = Varies by plan type, fielded Feb. 13, 2024 – March 11, 2024

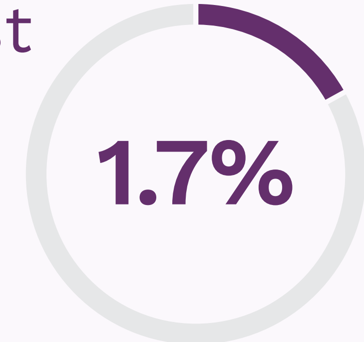
Consumers' pay later plan use for furniture and appliance purchases has outperformed spend trends in the category.

The pay later plan usage landscape shifts alongside spending patterns, naturally. Recent economic data notes overall spending on some big-ticket items, such as home furnishings, has fallen of late — but it has fallen by a more significant percentage than the drop in how many consumers have used split-payment plans to purchase home furnishings. Although many factors are at play, this comparative analysis suggests that the recent dip in split-payment usage likely relates to the broader decline in spending. And despite consumers spending less on large purchases, installment plans remain popular.

Between our first and second survey, Census retail data shows that spending on **home furnishings fell by**



Over that span, our data found that **pay later plan use** in that category fell just

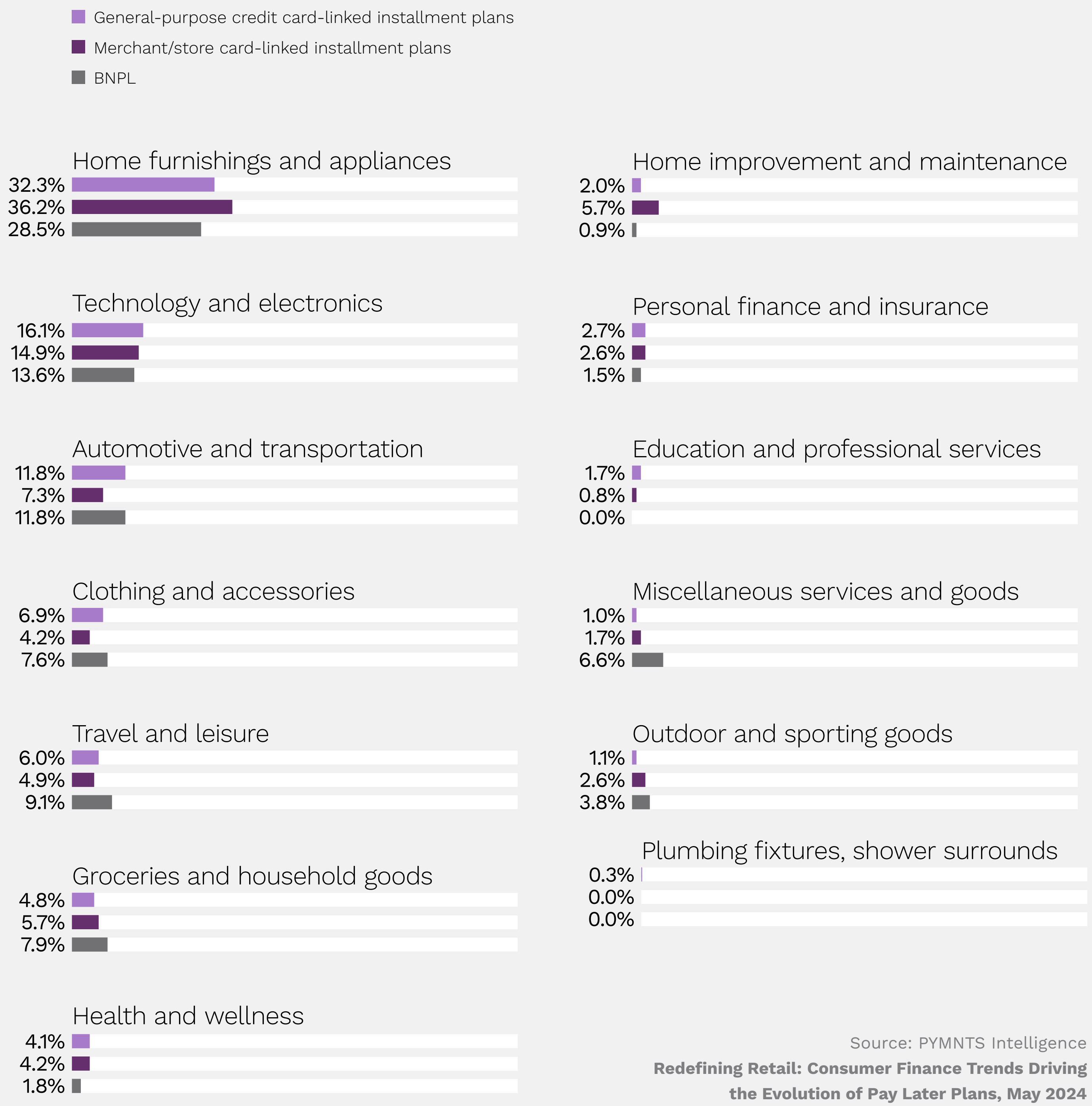


Pay later plan usage also outperformed census retail data with consumer electronics, groceries and gasoline, though spend trends exceeded plan use patterns for categories such as clothing, health and beauty products, restaurant meals and auto parts. For a full breakdown, see Figure 8 in the Appendix on page 42.

FIGURE 6:

Pay later plans for big-ticket items

Share of each type of product purchase costing $1,000 or more that consumers split into installments in the last 12 months, by plan type



Source: PYMNTS Intelligence
Redefining Retail: Consumer Finance Trends Driving the Evolution of Pay Later Plans, May 2024
N = 2,421: Complete responses, fielded Feb. 13, 2024 – March 11, 2024

The use of split-payment plans to keep pricier purchases within reach is most apparent in home furnishings and appliances, with roughly one-third of transactions for items in this category divided into installments. This relatively high percentage highlights that the plans help consumers manage major purchases — and, again, explains why a dip in overall spending in this item category could notably impact installment plan usage rates.

Approximately 60% of consumers report that these plans have facilitated better management of their spending, particularly when it comes to treating purchases as longer-term investments. In short, consumers are integrating installment plans into the financial planning process for substantial household spending.

DATA FOCUS

There is considerable misunderstanding about BNPL in the market, with a sizable share of consumers failing to understand it is a loan.

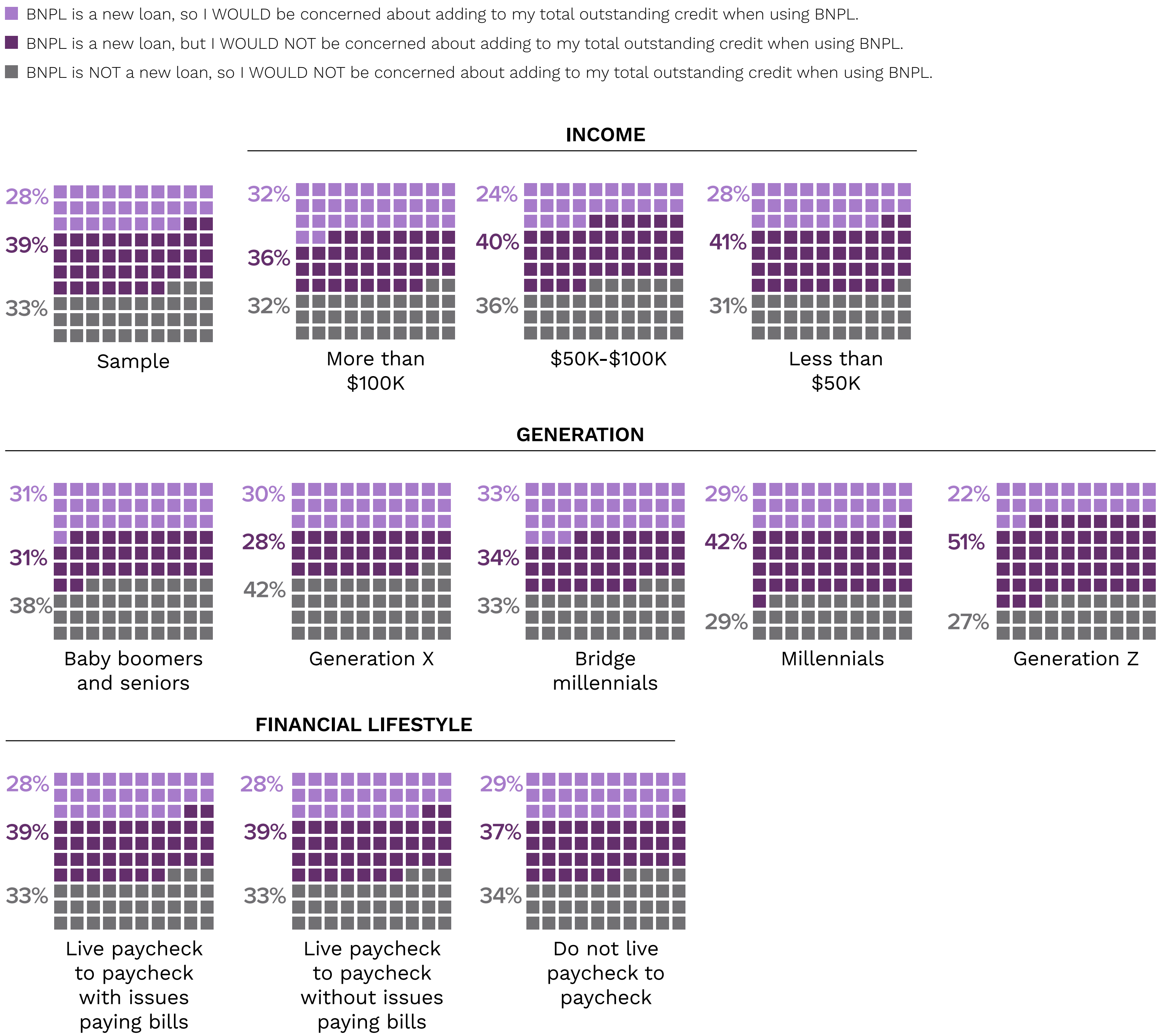
One-third of consumers who use BNPL — particularly if they're older — do not realize that they are taking out a new loan, partly because they do not understand that a loan is still a loan, even if there is no interest charge.

Even by virtue of its action-based name, BNPL has set itself apart from other payment methods. The problem may be that it has set itself so far apart that many consumers simply do not understand what it is. Gen Z consumers are the most aware that BNPL plans are loans; even so, more than one-quarter do not know this. Similarly, 42% of Gen X consumers and 38% of baby boomers and seniors do not believe BNPL represents a new loan. One reason this matters is that by not connecting BNPL to other credit processes, some of these consumers would not be concerned about adding to their total outstanding credit when using BNPL.

FIGURE 7:

Are BNPL plans loans? (Yes, they are.)

Share of consumers citing whether they know BNPL plans are loans



Source: PYMNTS Intelligence

Redefining Retail: Consumer Finance Trends Driving the Evolution of Pay Later Plans, May 2024

N=756: Respondents who decided to use a BNPL installment plan in the last 12 months, fielded Feb. 13, 2024 – March 11, 2024

This misconception is relatively steady across incomes and financial lifestyles. PYMNTS Intelligence found that 32% of consumers annually earning more than $100,000 do not believe BNPL represents a new loan and, as a result, would not be concerned about adding to their total outstanding credit when using BNPL; 3% of those annually earning less than $50,000 share this perspective. Likewise, roughly 1 percentage point separates the share of consumers living paycheck to paycheck with issues paying their bills with this misconception, 33%, and the share of those not living paycheck to paycheck, 34%.

The general deficit in BNPL comprehension underscores the need for financial education across providers to help consumers make sound payment decisions. Many use pay later plans as a spend management financial tool, and clarifying the credit mechanisms behind all pay later options is key for that spend management to be rooted in reality. For example, while BNPL offers convenience, some argue it still lacks stringent regulations to curb overspending. Card-linked installment plans more clearly utilize consumers' existing credit lines, capping spending limits in a more natural way without requiring new loan applications.

ACTIONABLE INSIGHTS

01

Gen Z consumers and millennials are the flag-bearers for pay later plan use, particularly that of card-linked installment plans. Consider prioritizing marketing strategies emphasizing the flexibility and benefits of these plans, as 65% of consumers in these demographic groups have used the plans, in part, to access these benefits in the last year. Including educational content about financial management when using these plans could increase engagement, loyalty and sales within these younger consumer segments.

02

One plan does not serve all, and two in three consumers who already use installment plans linked to their existing credit cards at checkout are open to switching merchants for the availability of these options. Prominently feature these payment methods throughout the shopping journey and train staff to assist customers effectively so that consumers know the plans are available. Doing so can attract a broader consumer base, particularly among Gen Z consumers.

03

Consumers clearly prefer using general-purpose credit card-linked installment plans on high-value purchases, with 33% of all consumers surveyed selecting this choice for purchasing big-ticket items. In contrast, the preference for using general-purpose credit card installments or BNPL on regular purchases is held by 22% and 23% of all consumers surveyed, respectively. Consider both customer demographics and average purchase prices when choosing to offer pay later options to ensure you provide the right solutions for your customers.

04

A growing trend is developing where consumers use BNPL for everyday, lower-priced items and prefer card-linked installment plans for larger, longer-term investments such as purchasing new appliances. This divergence indicates a need for merchants to align their installment offerings with product categories. Ensure that BNPL options are visible for lower-priced purchases and promote card-linked installments for more substantial purchases to reinforce consumers' behavior trends and encourage repeat business.

REDEFINING RETAIL

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May 2024 Report

METHODOLOGY

Redefining Retail: Consumer Finance Trends Driving the Evolution of Pay Later Plans, a PYMNTS Intelligence and Splitit collaboration, is based on a survey of 2,655 consumers conducted from Feb. 13 to March 11. The report examines how the share of consumers using pay later plans has changed in the past six months, including how consumers use installments to buy big-ticket versus regular goods. Our sample was census-balanced with respect to the U.S. population, with 51% of respondents identifying as female and 34% holding a college degree. The average age was 48, and 39% annually earned more than $100,000.

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ABOUT

PYMNTS INTELLIGENCE

PYMNTS Intelligence is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multi-lingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

splitit

Splitit powers the next generation of commerce innovation through its merchant-branded, card-linked Installments-as-a-Service platform. Splitit is solving the challenges businesses face with legacy BNPL while unlocking BNPL at the point of sale for card networks, issuers and acquirers all through a single network API.

Splitit's white-label platform mitigates issues with legacy BNPL like the declining conversion funnel, clutter at the checkout and a lack of control of the merchant's customer experience while putting the power back in the hands of merchants to nurture and retain customers, drive conversion and increase average order value. Easy to adopt, integrate and operate, Splitit delivers an uncluttered, simplified, card-attached experience embedded into their existing purchase flow.

We are interested in your feedback on this report. If you have questions, comments or would like to subscribe, please email us at feedback@pymnts.com.

APPENDIX

FIGURE 8:

Pay later plan usage trends, by item category
Change in retail purchases and use of pay later plans between first and second survey, in percentage points

	Clothing and accessories	Groceries	Home furnishings	Consumer electronics	Gasoline	Health and beauty products	Restaurant meals	Auto parts	Building materials and garden supplies	Sporting or outdoor products
CENSUS RETAIL DATA	0.9%	0.6%	-4.3%	0.6%	-3.8%	4.3%	4.2%	2.2%	-2.2%	-1.0%
SPLITIT SURVEY DATA	-3.1%	0.8%	-1.7%	0.8%	-1.1%	-1.6%	-1.7%	-1.6%	-2.2%	-2.5%

Source: PYMNTS Intelligence
Redefining Retail: Consumer Finance Trends Driving the Evolution of Pay Later Plans, May 2024
N = 2,421: Complete responses, fielded Feb. 13, 2024 – March 11, 2024
Author unknown. Advance Monthly Sales for Retail and Food Services. The United States Census Bureau. 2024. https://www2.census.gov/retail/releases/historical/marts/adv2403.pdf. Accessed April 26, 2024.