

# KEEP YOUR CARDHOLDERS

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Compete with Buy Now, Pay Later Popularity

The background of the entire page is a blurred photograph of a modern office interior. The scene is dominated by a large, cylindrical, metallic pillar in the center. The floor has concentric circular patterns. Several people are seen in motion, their figures blurred, walking through the space. The lighting is a mix of cool blues and vibrant greens, creating a futuristic and dynamic atmosphere.

## The buy now, pay later (BNPL) market is expected to grow 181% by 2024, and will account for 13% of all global e-commerce payments that same year, according to the 2021 Global Payments Report by Worldpay from FIS.

These post-purchase installment programs aren't a new concept, but the ease of use, flexibility and mutual benefit they bring to various phases of the value chain have made them one of the fastest growing segments in payments.

To compete with alternative point of sale (POS) installment loan providers like Affirm, Klarna and Afterpay, and direct competitors like Chase, Citi and American Express which all offer flexible repayment plans, credit and debit issuers must respond. Here's a closer look at what's driving BNPL popularity.

### Cardholders want to control their finances

When FIS surveyed 15,000 consumers around the globe in June 2020, respondents between the ages of 18 to 39 were particularly receptive to the idea of paying with installments over time, for a few reasons:

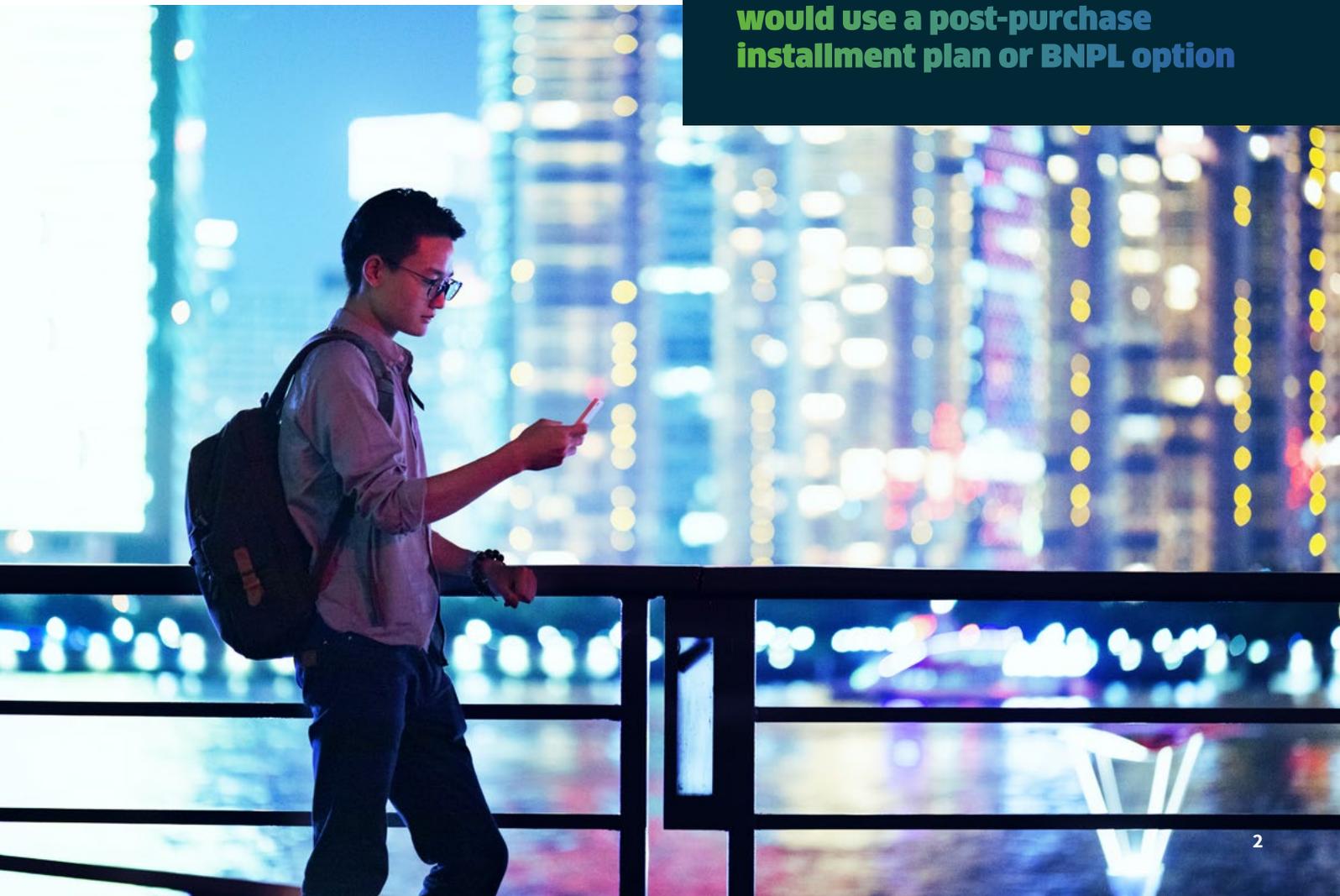
- Value of having control over their money
- Want to track spending
- Desire to avoid going into unmanageable debt

Nearly half of consumers across all generations said they were comfortable taking on debt they could pay off over the short term, and Gen Y and Gen X (consumers between the ages of 24 and 54) were the most likely to agree with the statement.

Price point also matters when it comes to the likelihood of using BNPL options. Half the consumers surveyed would likely use BNPL for a purchase under \$250, but the figure dropped to 41% for a purchase between \$250 and \$999. For purchases of more than \$1,000, just 31% of respondents would use a post-purchase installment plan or BNPL option.

Despite research conducted by The Ascent revealing 31% of respondents had incurred some type of late fee associated with a BNPL offering, the illusion of control is overriding the actual cost of using such a program when repayment terms are not followed.

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### **Credit card ownership has declined with the pandemic**

Except for senior millennials (ages 29 to 39), credit card ownership dropped in every age group between April 2020 and February 2021, according to FIS research of 1,000 Americans conducted in February 2021. Non-card ownership was particularly prevalent among Gen Z consumers (ages 18 to 23). In April 2020, 31% of Gen Z respondents did not own a credit card. By February 2021, the number jumped to 51%.

Reasons for this fall off might include an increased use of digital payment methods that eliminate the need for credit cards. Other reasons to blame could be declined credit card applications, or suspensions of credit card use due to worsening financial conditions. In fact, The Ascent's research showed BNPL usage jumped 62% between July 2020 and March 2021 among GenZ users.

### **Buy now, pay later offers also appeal to debit users**

There's debate on the need to regulate BNPL providers, so they do not become yet another form of predatory lending for consumers who may not understand the terms they're agreeing to. Yet these offerings do provide borrowing options for those who may have none. For example, when Capital One said it would no longer approve point of sale lending transactions on its credit cards due to excessive risk, Afterpay CEO Nick Molnar told Pymnts.com the decision wouldn't impact his business. Why? According to Molnar, 90% of Afterpay's transactions are paid for with debit cards.

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## Let's Reimagine Card Payments

Issuers cannot disregard BNPL as a passing trend or fail to address consumers' overall response to them. With FIS Post-Purchase Installments, you can give cardholders the option to convert their credit and debit purchases into installment plans, for flexibility when making large purchases. They'll have a solid understanding of how many payments they must make over time, and how much they will pay in interest and fees. You'll win by gaining cardholder loyalty with an appealing offer that competes with BNPL providers and similar competitor offerings.

To learn more about how FIS' Payments One Cards single, modular payments platform gives you the flexibility to morph a challenging card business into a new world of opportunity, [click here](#).

## About FIS

FIS is a leading provider of technology solutions for merchants, banks and capital markets firms globally. Our more than 55,000 people are dedicated to advancing the way the world pays, banks and invests by applying our scale, deep expertise and data-driven insights. We help our clients use technology in innovative ways to solve business-critical challenges and deliver superior experiences for their customers. Headquartered in Jacksonville, Florida, FIS is a Fortune 500® company and is a member of Standard & Poor's 500® Index.



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