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AUGUST 2022

**Buy Now, Pay Later  
Tracker® Series**

October 2022

## Unlocking The True Potential Of **BNPL** For Services

Buy Now, Pay Later Tracker® Series

PYMNTS



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### Acknowledgment

The Buy Now, Pay Later Tracker® Series is produced in collaboration with Splitit, and PYMNTS is grateful for the company's support and insight. PYMNTS retains full editorial control over the following findings, methodology and data analysis.



## Need To Know

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# Services Take The Lead For New BNPL Use Cases

Merchandise is not the only thing customers are looking to make more readily affordable through buy now, pay later (BNPL): Education, medicine, dentistry and a host of other services are following close behind as the current inflation crisis exacerbates ongoing cost concerns in all parts of daily life. BNPL has become an everyday-purchase solution for millions of consumers, making its extension to new use cases a logical move to solve a broad spectrum of financial issues.



# 47%

Share of consumers who are aware of BNPL and would use it for expensive, one-time purchases.



# 29%

Portion of consumers who would leverage BNPL to pay for medical bills.



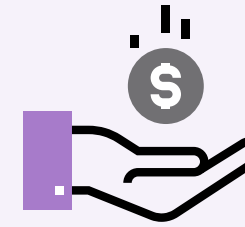
# 24%

Share of consumers who would use BNPL for other purchases.

## Need To Know

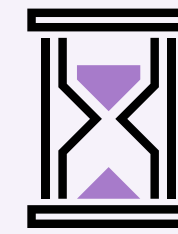
# BNPL services are useful for consumers of all economic strata

Although BNPL offers all consumers financial flexibility, the current economy is becoming challenging for all income classes. Forty-three percent of consumers [said](#) they would be interested in leveraging BNPL for services such as travel, another 43% would use it for home remodeling services, 42% would use it for medicine and prescriptions and 38% would use it for education and certifications. Consumers' reasons for using BNPL for services varied greatly.



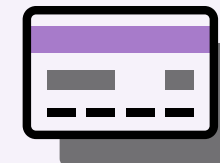
# 41%

Share of consumers who [said](#) BNPL is better than a personal loan



# 34%

Share of consumers who [said they liked](#) having a definite end to payment terms



# 26%

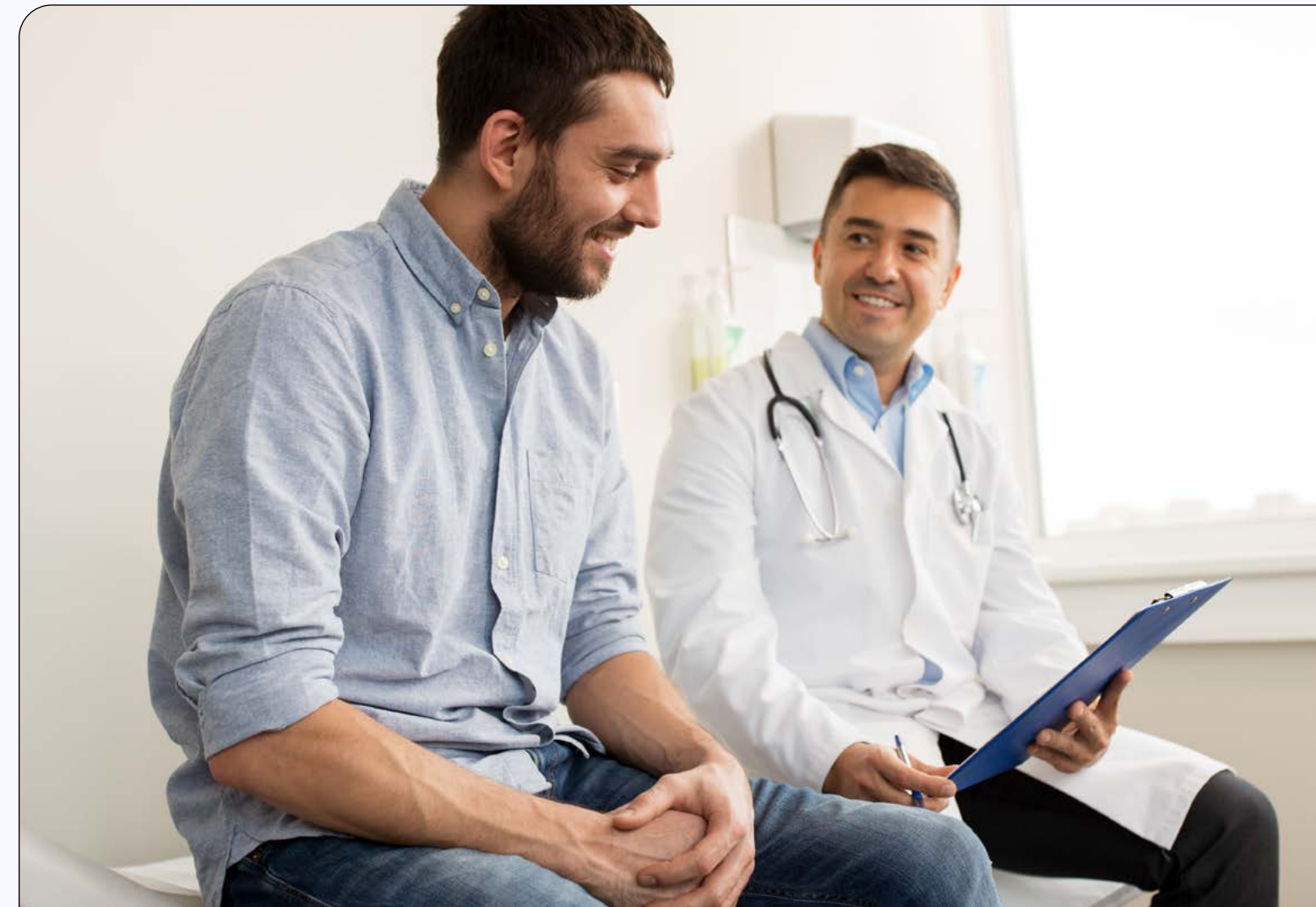
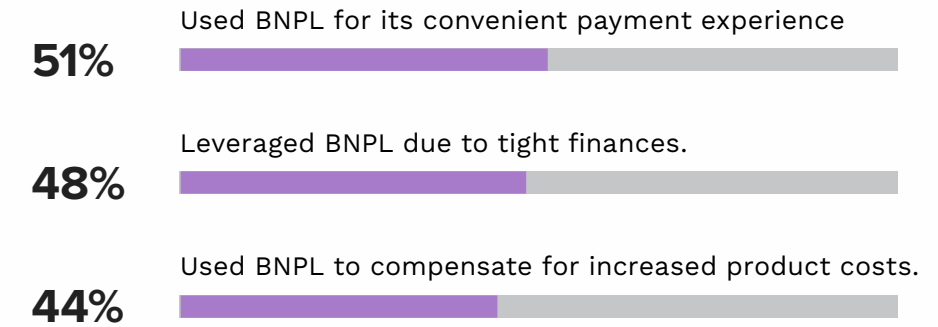
Portion of consumers who [used](#) BNPL so their credit would be available for other purchases



## News And Trends

# BNPL For Dentistry, Education, Fighting Inflation And Back-To-School Shopping

BNPL systems have long been used for retail shopping, but there are dozens of new use cases popping up by the day. One important application is dentistry, to which BNPL provider CareCredit [plans](#) to extend its financing services. PYMNTS' research found that one-third of United States consumers have gone without medical care, and another [study](#) found that 74 million Americans lack dental coverage, with dental offices all over the country turning away hundreds of potential patients each month who cannot afford their services.



## News And Trends

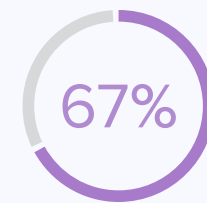
# BNPL providers break into the medical sector

Healthcare affordability has been a long-standing issue in the U.S., which, unlike the vast majority of industrialized nations, lacks a widespread public health system. Individuals in the U.S. currently possess a total of more than \$88 billion in medical debt, and many individuals fear the costs of healthcare more than the actual procedures. BNPL companies are looking to fill this gap, offering customers the ability to finance their health procedures in the same way they would retail purchases. In this regard, Splitit, a BNPL provider, partnered with medical payments firm DOCPAY, to increase the number of healthcare deals by approximately 50% over the past six months.

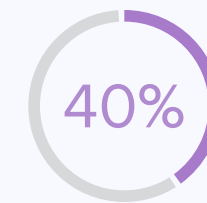
### 38% OF SHOPPERS PLAN TO SPEND LESS THIS HOLIDAY SEASON DUE TO INFLATION, BUT BNPL COULD HELP

Financial woes have extended beyond medical payments to everyday shopping as well, and the upcoming holiday season could look somewhat dimmer than usual, thanks to inflation. This has caused prices to skyrocket and has made many customers change their spending habits.

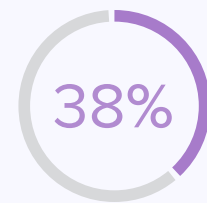
BNPL services are helping many shoppers meet their retail goals this holiday season, as this past year has demonstrated, with 64% of eCommerce customers saying they have used BNPL more often in the last six months. They had a number of reasons for doing so.



**67%**  
of consumers said they have reduced their spending on nonessential items over the past six months.



**40%**  
of consumers said they spent less on summer vacations, and **49%** said they were reducing travel expenses.



**38%**  
of consumers said they would spend less during their holiday shopping this year.



## News And Trends

# One in three consumers are leveraging BNPL for back-to-school shopping

BNPL has also been playing a role in other traditional shopping seasons. A recent survey found that 37% of consumers plan to or have used BNPL to finance their back-to-school shopping, with 55% of consumers planning to spend more this year due to inflation. Inflation has affected customers in a variety of other ways as well. Shifts in shopping behavior due to inflation were much more pronounced among students shopping for themselves than among parents shopping for their children, as students typically have less discretionary spending power than adults. Almost two-thirds of students who leveraged BNPL did so to buy books and other small-scale school items, while 52% said they used BNPL to purchase a single expensive school item, such as a computer.

Table 1:

### Adjusted spending due to inflation

	Buying cheaper versions of usual items	Spending more to buy usual items	Buying less of some items	Stopped buying some items
Parents shopping for their children	35%	36%	32%	<b>19%</b>
Students shopping for themselves	<b>42%</b>	30%	38%	23%

**Source:** Author unknown. More Than One in Three Consumers Using Buy Now Pay Later Loans for Back-to-School Shopping. GlobeNewswire. 2022. <https://www.globenewswire.com/news-release/2022/08/23/2502930/0/en/More-Than-One-in-Three-Consumers-Using-Buy-Now-Pay-Later-Loans-for-Back-to-School-Shopping.html>. Accessed October 2022.

PYMNTS Intelligence

# BNPL Providers Take Aim At Medical And Education Payments

BNPL has become a part of everyday life for American consumers, and its popularity is still expanding. Twenty-nine million consumers in the U.S. leveraged BNPL to make purchases in 2021, and 59% of consumers said they would be willing to use third-party BNPL solutions.

Americans are branching out to more unusual BNPL use cases, such as education and medicine. One of the primary draws of BNPL is its lack of interest rates as long as the payments are made on time, and this makes it an attractive option for big-ticket purchases beyond just merchandise.

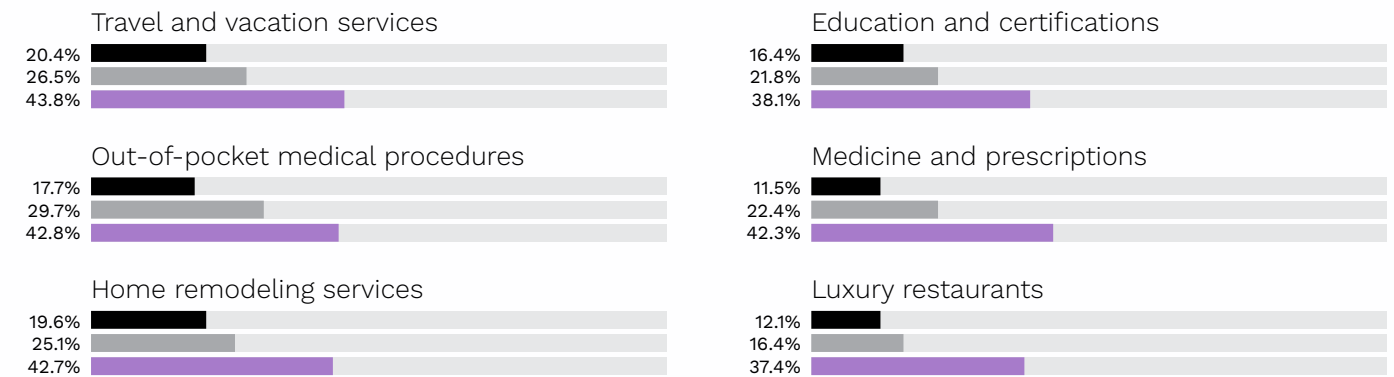
This month, PYMNTS explores how consumers leverage BNPL to pay for services rather than retail and the benefits of doing so.

Medical procedures, education and prescriptions are some of the most popular BNPL use cases. A recent PYMNTS study found that 59% of all U.S. consumers are living paycheck to paycheck, including 43% of those earning more than \$100,000 per year. Forty-three percent of these paycheck-to-paycheck consumers said they would be interested in leveraging BNPL for out-of-pocket medical procedures, 43% would use it for home remodeling services, 42% would use it for medicine and prescriptions and 38% would use it for education and certifications.

Figure 1:

**High-value services consumers would like to purchase with BNPL options**

Share who would be very or extremely interested in using BNPL options to make specific high-value service purchases, by financial lifestyle



Source: PYMNTS  
The Next BNPL Horizon: Expanding Access To High-Value Services, May 2021  
N = 2,211: Surveyed U.S. consumers, fielded June 23, 2021 – June 27, 2021

■ Do not live paycheck to paycheck  
■ Live paycheck to paycheck but comfortable  
■ Live paycheck to paycheck with difficulty



## PYMNTS Intelligence

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**All told, 43% of consumers would prefer to use BNPL for high-value purchases, translating to approximately 111 million consumers.** Eighty-three percent of those who agreed with this statement preferred BNPL over a credit card, with 34% saying they liked having a finite end to the payment terms, for example.

**BNPL providers are exploring a number of new products to improve customers' access to these services.** Digital education merchant upGrad, for example, recently partnered with a BNPL provider to offer installment payments. The global eLearning market was worth \$215 billion in 2021 and it is expected to grow 13% annually. BNPL provider Splitit has seen growth in the segment triple in the last few years. Its data shows students paid \$1,500 over 8.5 installments in 2022, up from \$1,240 over 7.3 installments last year.

**Overseas customers are also exploring BNPL for access to services.** Education payments are a growing concern in India, for example, where the eLearning market is valued at more than \$1.96 billion, yet just 3% of the population has access to traditional credit services. BNPL companies aim to take advantage of this funding gap as well as the fact that 48% of students are currently paying for their education through installment payments. These companies hope to harness these individuals' familiarity with installment payments to introduce them to BNPL.





## Chart Of The Month

# Breaking Down BNPL Habits




Consumers can largely be divided into three groups based on their access to credit: “worry-free,” or those with good credit or access to credit; “second chance,” or those who have blemishes on their credit profiles; and “shut out,” or those who have been excluded from conventional credit access.

**Worry-free customers leverage BNPL for a variety of reasons.** Sixty-two percent of worry-free consumers familiar with BNPL believe it can help them buy things they want without overspending, for example, while 55% said it could allow them to make purchases more frequently.

TABLE 2:

### Using BNPL to pay expenses

Share of consumers interested in using BNPL to pay for select expenses, by persona

				
	TOTAL	Worry-free	Second chance	Shut out
Excessive, one-time retail purchases	47.1%	43.3%	55.3%	52.9%
Medical bill	29.2%	24.0%	38.5%	37.4%
Groceries	20.8%	13.9%	32.9%	35.0%
Monthly utility bills	17.6%	11.5%	25.5%	39.0%
Insurance bills	14.2%	9.6%	22.2%	23.9%
Rent or mortgage payments	12.0%	6.7%	19.4%	24.7%
Other	24.2%	32.5%	10.1%	7.6%

Source: PYMNTS  
 The New Credit Model: Why Financially Worry-Free Consumers Still Want Alternatives To Traditional Credit, December 2021  
 N = 7,024; Surveyed U.S. consumers, fielded April 16, 2021 – April 26, 2021, and April 28, 2021 – May 10, 2021



## Insider POV

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# Learn From An Education Provider How To Save With BNPL

AN INTERVIEW WITH HEIDI HILLIS, EXPERT COACH AT [FORTUNA ADMISSIONS](#), ON HOW BNPL IS CHANGING THE EDUCATION FIELD

Education has long been an impetus for taking out personal loans, including those for tuition, books and room and board, making it a natural fit for BNPL. Even education players outside the schools themselves are dipping into BNPL, including Fortuna Admissions, a consulting and counseling service for prospective business school applicants.

“Our clients are generally professionals, and our packages that we sell are pretty high-ticket, so customers often paid for them over a period of three to six months, and we were managing it ourselves by charging them in three invoices. But that became very burdensome for us to handle, and we found Splitit to help us handle client payments.”

“We used to do a fair amount of discounting so we would be able to close the sale, but since we’ve been [leveraging BNPL], we do hardly any discounting. We just say we will offer you interest-free payments, and that seems to be enough for customers. And on the cost side, it has reduced our expenditures significantly by being able to have someone else manage the collections process for us.”

**HEIDI HILLIS**  
Expert Coach



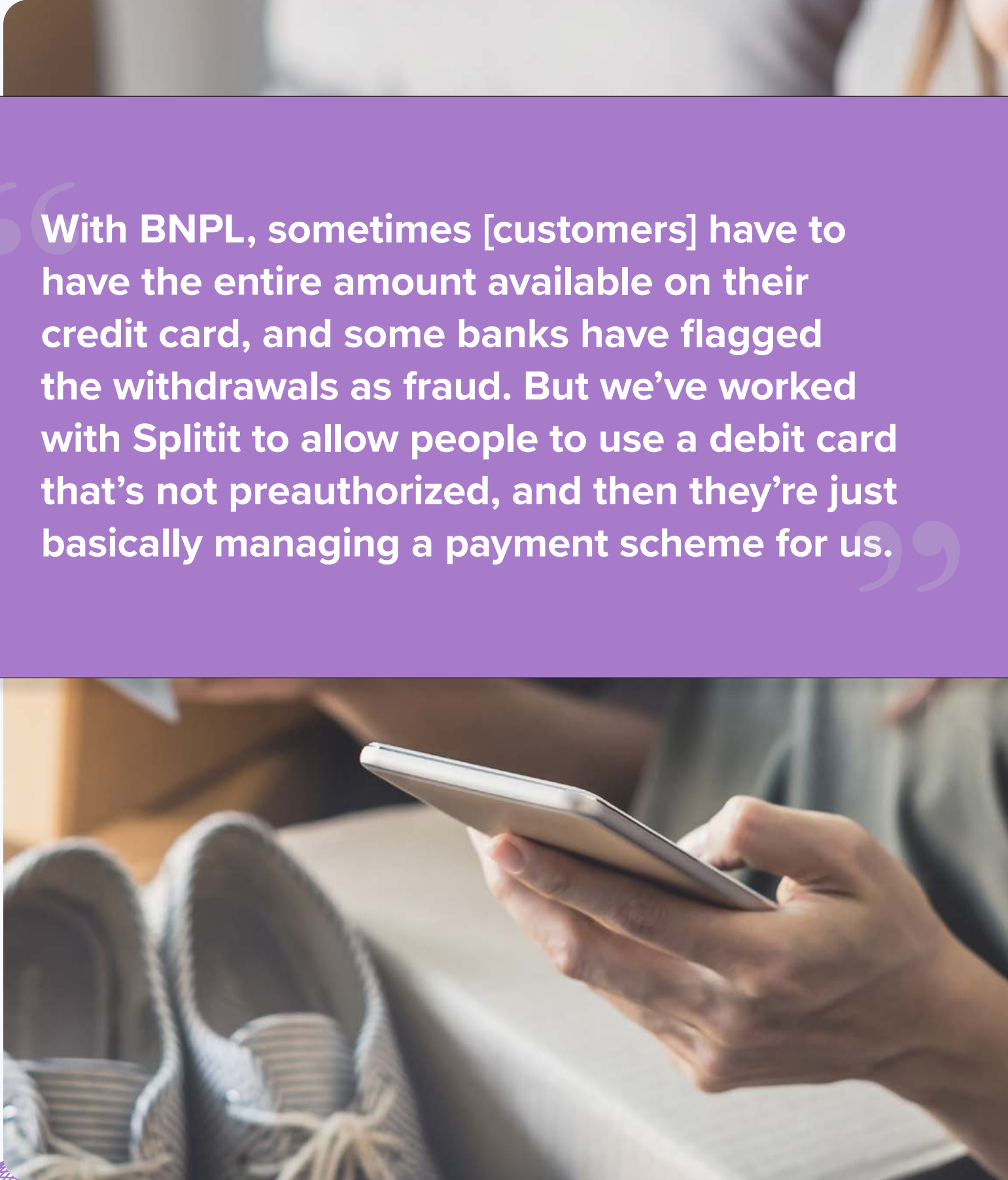
## Insider POV

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**Implementing BNPL allowed Fortuna to improve its profits in two different ways.** Not only did the lack of interest payments allow the company to drop its discounts and still offer an appealing value proposition. Outsourcing the payments to a third party also enabled it to save administrative costs that were formerly spent on managing the company's own installment payments system.

**Implementing BNPL came with its own set of challenges, however, particularly when it came to customers from certain countries.** These countries' banking systems often mistakenly identified users' BNPL payments as fraudulent due to their financial laws, making BNPL difficult to leverage. Fortuna helped develop an innovative solution to work around these roadblocks, however.

Currently, 55% of Fortuna's customers use BNPL, according to Hillis. Continued ease of use in the education field could improve this rate across the entire industry.



“With BNPL, sometimes [customers] have to have the entire amount available on their credit card, and some banks have flagged the withdrawals as fraud. But we've worked with Splitit to allow people to use a debit card that's not preauthorized, and then they're just basically managing a payment scheme for us.”



## Companies To Watch

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# Payments Providers Bet Big On BNPL Around The World



BNPL startup Kontempo recently [announced](#) that it had raised a \$30 million seed round in part of a bid to enter the new business-to-business (B2B) BNPL space. Although most B2B payments are spread out over a period of time, such as net 30-day terms, high fees and delays are frequent. The entry of consumer-style BNPL into this area could potentially be a game-changer in the future.



Cloud-based payment platform Letus is also [entering](#) the BNPL market. This will allow customers to make rental payments, including security deposits, on a BNPL basis — another interesting use case that could have long-lasting ramifications for the American real-estate and rental markets.



United Arab Emirates-based online payments provider Tabby recently [secured](#) \$150 million in debt financing to expand in the Middle East and North Africa region. This could be an exciting new market for BNPL due to the lack of traditional credit options: In Saudi Arabia, for example, less than 20% of consumers have a credit card.

## What's Next?

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# Medicine And Education Are Next

### Q: WHAT IS DRIVING THE GROWTH OF BNPL IN SERVICES?

A: One of the biggest reasons is the services sector is finally catching up with eCommerce retail from a technology perspective. Consumers have proven the BNPL model works in eCommerce, and we're starting to see it grow with in-person transactions, but it takes time to translate a payment technology into sectors traditionally slower to adopt newer technologies. Plus, we're starting to see more options that fit the larger ticket sizes. The "Pay-in-4" approach of legacy BNPL lenders works well when the total ticket price is a few hundred dollars, but it becomes a bit untenable when you're talking about purchases over \$1,000. We expect the interest and growth of BNPL in services to grow in 2023 as merchants become more comfortable with the options and continued economic pressures have consumers looking for more flexible payment options.

“Consumers have proven the BNPL model works in eCommerce and we’re starting to see it grow with in-person transactions, but it takes time to translate a payment technology into sectors traditionally slower to adopt newer technologies.”



**NANDAN SHETH**  
CEO





## What's Next?

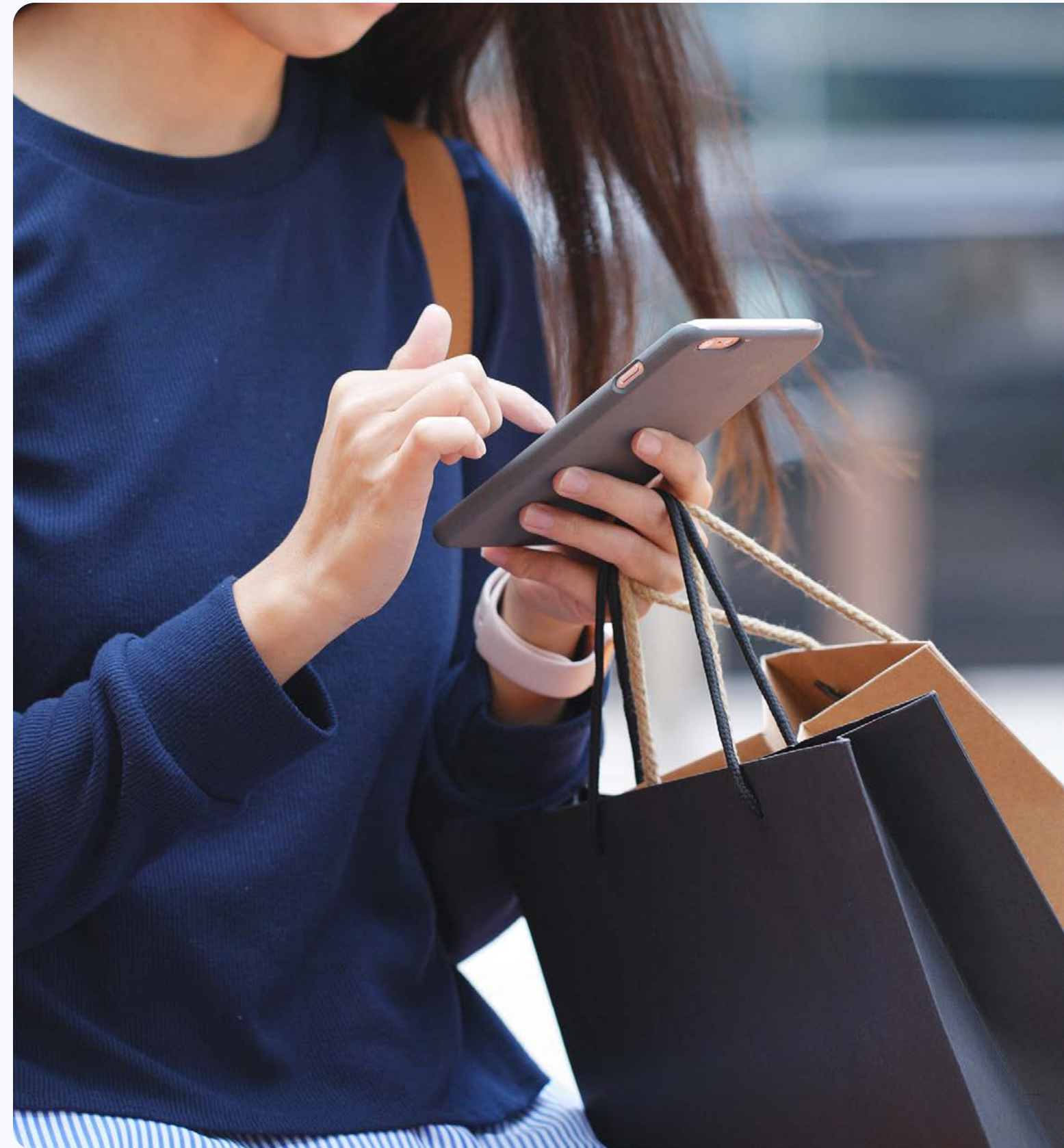
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### **Q: WHAT SERVICE SECTORS ARE PRIMED FOR THE BIGGEST GAINS IN 2023?**

A: I expect to see growth across most service sectors: We are already seeing rising demand in automotive, home, education and healthcare and expect this to continue over the next year. Macroeconomic pressures have consumers stretching their budgets and reevaluating what they're spending on. These areas are critical to most people and there is strong interest in an option where you can pay in installments without additional interest or fees and without having to take out a new loan. We're also seeing incredible growth potential with [independent software vendors] that specialize in these areas providing an easier pathway for businesses to offer installments.

### **Q: HOW WILL LOOMING REGULATIONS FROM THE CONSUMER FINANCIAL PROTECTION BUREAU IMPACT BUSINESSES LOOKING TO ADOPT BNPL?**

A: For those looking to a BNPL lender providing new consumer loans, you can expect to see some negative consequences, especially around approval rates. Regulation will force BNPL lenders to implement more stringent underwriting or to decrease spending limits. Because many of their customers have lower credit scores, often living paycheck to paycheck, you can expect approval rates to fall and order size to decrease, negatively impacting the [return on investment] on the merchant investment in legacy BNPL. However, regulation is a big win for merchants who have seen their relationships with consumers eroding, with BNPL providers harvesting their shopper data for their gain. The regulations will help merchants to protect their customer acquisition investment, increase customer loyalty and overall lifetime customer value and provide more control and oversight on customer data.



# About

## PYMNTS

[PYMNTS](#) is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.



[Splitit](#) powers the next generation of BNPL through its merchant-branded Installments as a Service platform. Splitit is solving the challenges business 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 Installments as a Service platform mitigates issues with legacy BNPL such as the declining conversion funnel, clutter at the checkout and a lack of control of the merchant’s customer experience while also putting the power back in the hands of merchants to nurture and retain customers, drive conversion and increase average order value. Splitit’s white-label BNPL solution is the easiest installment option for merchants to adopt, integrate and operate while delivering an uncluttered, simplified experience embedded into their existing purchase flows. With no applications, redirects or new loans, Splitit is one of the most responsible installment payment options for customers.

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

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