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Buy now, pay later: From checkout feature to strategic growth engine

Strategic implications for payments

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Executive summary

Buy now, pay later (BNPL) has evolved from a payment feature to a commerce engine that shapes consumer demand and loyalty. Once positioned as a simple alternative payment method, BNPL now plays a broader role in shaping growth—influencing whether a purchase happens, what gets bought, and when the customer converts—well before checkout.

The prize is large: **BNPL transactions have grown 2x in the last 3 years to $600B in 2025 and are projected to reach $1T by 2030.**[1] However, the operating complexity of BNPL is rising with growing losses, larger tickets, and regulatory pushes to treat BNPL as a credit product.

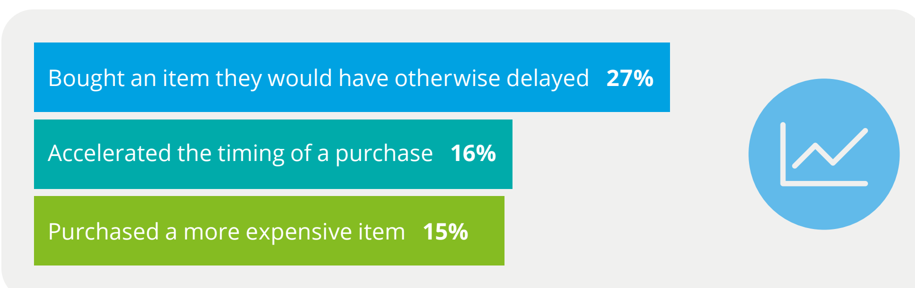
Payments and commerce players aiming to grow profitably need to consider moving BNPL upstream into discovery and offers, while building credit underwriting capabilities.

BNPL is evolving from a checkout feature into a commerce engine

We surveyed more than 750 US consumers in the first quarter of 2026, to understand how BNPL shapes commerce. We found that BNPL's highest-value moments are moving earlier in the journey and into larger-ticket categories, while post-purchase experiences are driving repeat purchases and loyalty. Here are five noticeable consumer behaviors:

1

BNPL accelerates demand
BNPL is changing buying decisions, pulling forward purchase timing and lifting ticket size. Knowing BNPL is an option during discovery, consumers:

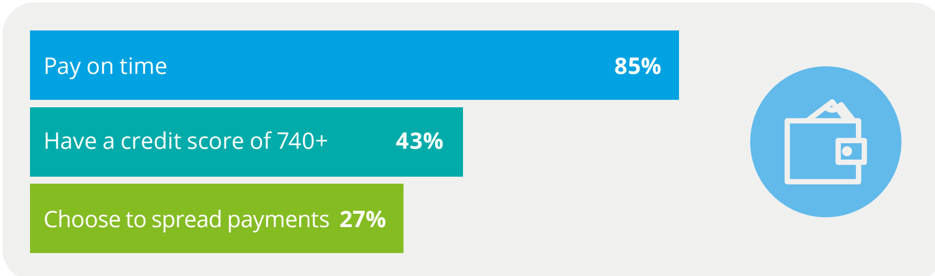


BNPL provides an opportunity to preserve cash outflows amidst low consumer confidence and economic anxieties.

> "BNPL lets me make purchases sooner than I otherwise could. I needed new tires, and BNPL was a godsend because I didn't have that large amount upfront."
>
> **Martin Reyes** Middle-income parent and daily commuter

2

Consumers are buying flexibility, not affordability
BNPL is no longer "just an affordability tool". It's evolving toward a cash-flow and budget planning experience:



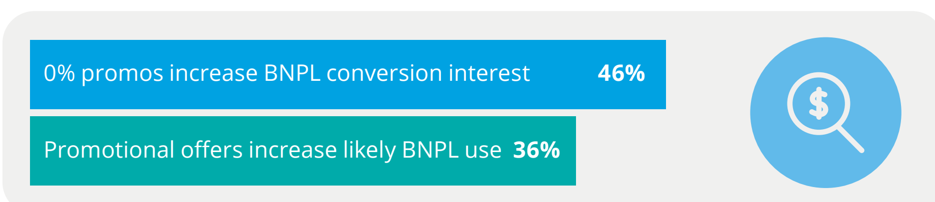
Leading players are those innovating repayment structures to provide consumers with more flexibility and boost commerce.

"BNPL is financially beneficial if you pay on time. It allows you to keep more cash on hand when making big purchases."

Priya Shah Financially savvy professional

3

Promotion and transparency are conversion multipliers
Transparency and trust are playing a critical role in converting intent into action. Among consumers:



Top players are combining merchant-funded promotions with clearer pricing structures and up-front cost transparency.

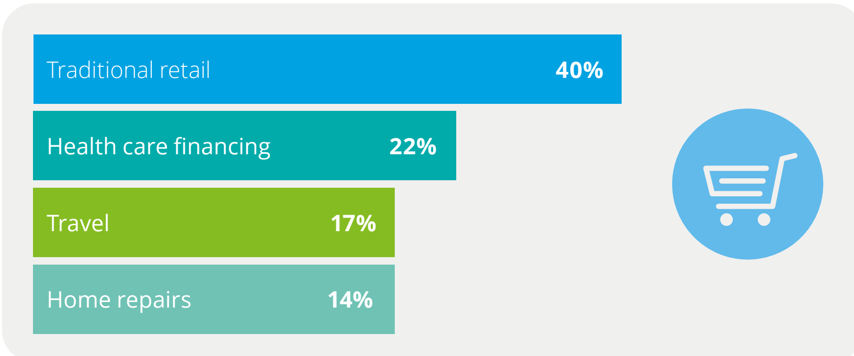
"Terms need to be extremely transparent and fixed for the duration of a given contract."

Robert Kim Trust-oriented planner

4

BNPL is expanding beyond retail

BNPL adoption is extending beyond traditional retail (electronics, home furniture, and fashion items) into higher-ticket and service-based categories:



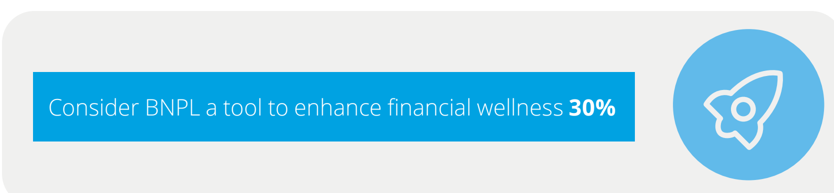
Leading players are those innovating repayment structures to provide consumers with more flexibility and boost commerce.

> "Expand to other services such as medical care and large repair amounts..."
>
> **Angela Brooks** Household decision-maker and caregiver

5

Loyalty and repeat purchase are created through life cycle moments

As usage scales, retention and stickiness increasingly comes from post-purchase experiences.



Leading providers lean in with financial tools—such as payment tracking, reminders, and budgeting features—to drive retention and loyalty and to deepen customer relationships.

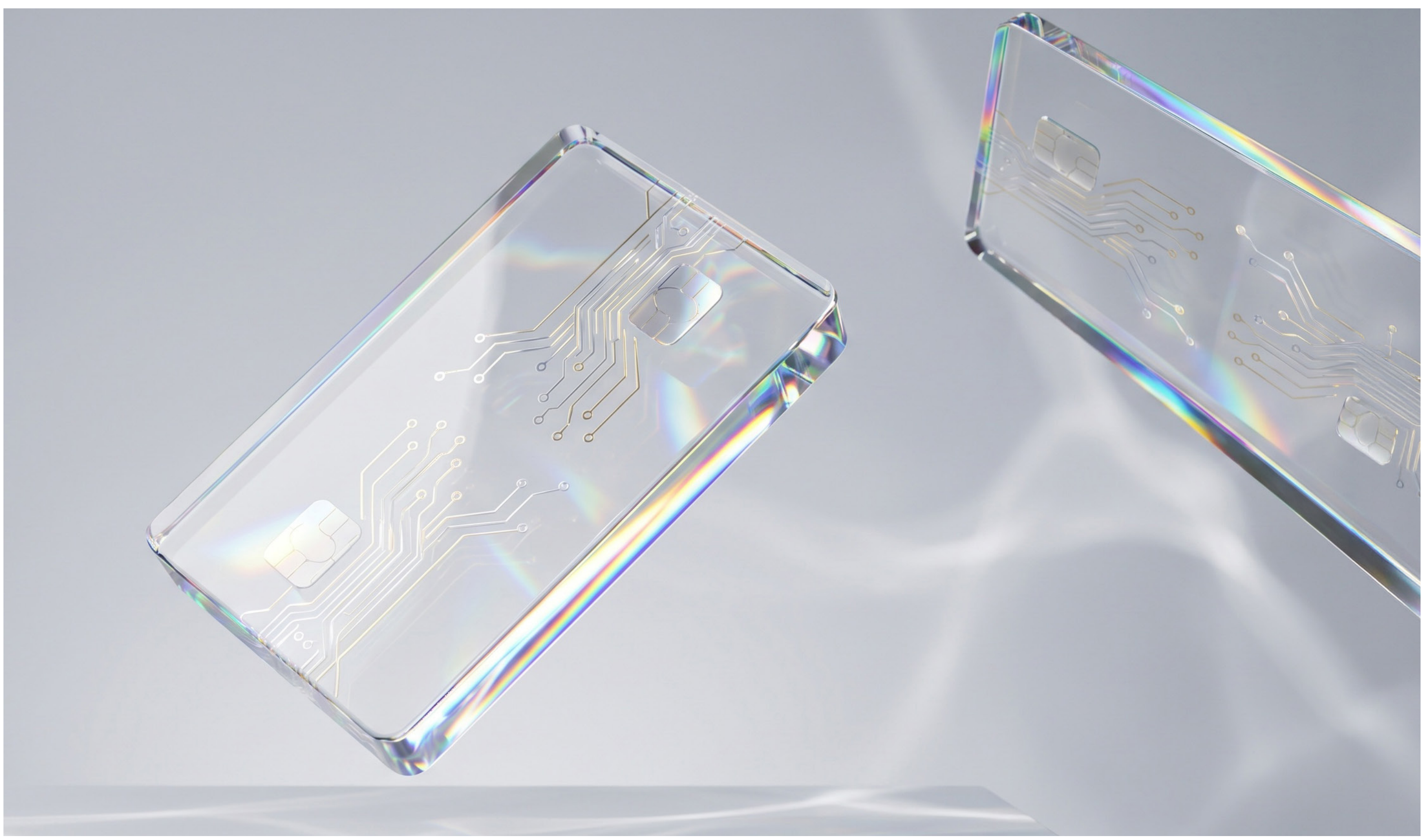
> "Enhance the user interface for easier tracking of spending and payment schedules, and offer personalized financial education resources."
>
> **Jordan Lee** Digital-native budgeter

BNPL must now be managed as a credit product

As BNPL expands into higher-ticket purchases and more frequent use, its economics and regulatory oversight are evolving to a traditional credit product. Four signals making this shift hard to ignore:

- **Losses are rising and provisions look like lending:** One large BNPL provider reported **6%** credit loss allowances on loans held for investment. This is up to two times higher than the average loss allowance in credit portfolios.
- **Exposure and ticket size is growing: 63%** of BNPL borrowers originated multiple simultaneous loans, with higher ticket size on average, increasing the risk of overextension
- **Regulation is catching up to credit governance:** New York published a BNPL law in February 2026 providing a credit-like framework to BNPL providers—covering items such as late-fee limits, credit bureau reporting, and dispute management.
- **BNPL is entering mainstream credit scoring:** In 2025, FICO announced new credit scoring models that incorporate BNPL repayment data into consumer credit.

Profitable growth with BNPL requires a focus on the most attractive segments, strong underwriting, and servicing capabilities sustaining a credit product.



Segmenting for profitability (Where to play)

Not all BNPL users present equal value or risk. Profitable growth depends on choosing the most attractive segments and designing products, controls, and offers to match their economics:

Requirement	Use-case requirement details	Use-case findings
Higher-income earners	As liquidity/optimization rather than necessity	Position as a smart cash-flow tool; optimize for convenience, transparency, and larger planned purchases
Middle-income families	Manage budgets and enable larger planned purchases; **55%** agree BNPL makes it easier to buy while managing finances	This is the scale segment—win on predictability, simple terms, and essential categories
Young spenders (Gen Z/millennials)	Highest frequency; motivated by speed and rewards; require tighter controls	Capture upstream commerce moments, but pair growth with strong exposure controls and responsible-use design
Older consumers (age 45+)	Lower recent usage (**8%** used BNPL in the past 12 months) and higher emphasis on trust/predictability	Lead with clarity, dispute protection, and plain-language terms

Middle-income families manage budgets and enable larger planned purchases; **55% agree BNPL makes it easier to buy** while managing finances

Scaling BNPL with a credit operating model (How to win)

BNPL leaders are converging on an operating model that supports scale with lending-grade controls and real-time decisioning. Practically, that means building the following core capabilities:

Build underwriting capabilities as a product
Winning BNPL players don't "approve a checkout"—they underwrite and manage a credit relationship. Best-in-class underwriting is in real time, segmented, and continuous. What this means is setting consumers' ability-to-repay standards, setting price and terms by customer segments and baskets, and treating every single transaction as a new decision point. Leading BNPL underwriting pairs fast approval decisions with hard controls—first-loan conservatism and step-up/step-down credit lines based on observed repayment behavior where exposure grows when performance earns it.

Predict delinquency earlier with AI and data for real-time decisioning
Leading edge is moving to near real-time decisioning powered by first- and third-party signals—using wallet, merchant, and transaction data to continuously refine approvals, line management, and proactive interventions. Leading BNPL players use "predictive delinquency" to anticipate who is likely to miss a payment, then intervene before delinquency compounds through tailored actions (e.g., repayment support, hardship pathways) to reduce roll rates and contain losses earlier.

Scale service capabilities
As BNPL scales, service becomes a differentiator and a control point for regulatory. Leading players are moving to digital-first, self-serve servicing (in-app payments, plan changes where permitted, dispute intake/status, proactive notifications) backed by AI (chatbots/virtual assistants) to resolve routine issues fast. Where human agents are needed, they're equipping the front line with agent-assist insights (e.g., a single customer view), predicted reasons for the contact, and next-best actions (e.g., the right repayment option, hardship pathway, or dispute workflow) so outcomes improve while handle time and errors come down. BNPL operations will need to further scale, treating complaints and disputes with compliance (e.g., SLAs), credit bureau reporting, ownership, audit trails, and quality controls to protect trust as volumes grow.

Strategic choices: Three core plays to scale BNPL profitably

BNPL strategies are converging, but differentiation will require firms to combine upstream influence with credit discipline.

1

Move BNPL to the top of the funnel.
Use BNPL to shape intent during discovery—with eligibility, offers, and rewards during the discovery. Make BNPL a lever for conversion and larger planned purchases, not just a payment button at checkout. Retain consumers with planning and cash-flow tools to drive repeat purchases and loyalty while supporting consumer's financial wellness.

2

Shift adoption to segments with stronger unit economics.
Prioritize higher-value segments and use cases where BNPL drives larger planned purchases and repeat usage with lower loss propensity—then tailor targeting, messaging, and transparent pricing/repayment visibility to convert the right demand (not just more demand).

3

Operate BNPL like a credit product—end to end.
Differentiate on lending-grade underwriting, dynamic exposure controls, and digital-first life cycle servicing. Use AI to make and refresh BNPL loan decisions in real time (approve, size, intervene), equip AI and frontline agents with next-best actions, and run complaints/disputes with credit-like governance (clear SLAs, auditability, and consistent resolution) to protect trust while scaling profitably.

Conclusion

BNPL could evolve beyond a checkout feature to a commerce engine and a credit product. Profitability will come from moving BNPL upstream to influence demand, while running it with lending-grade underwriting, proactive risk intervention, and scaled servicing that protects trust. Firms that capture the momentum with discipline will be best positioned to capture growth without inheriting outsized credit and compliance risk.

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Endnotes

1. "Buy Now, Pay Later Global Business Report 2025"
2. eMarketer 2025

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