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RISK AND REWARD

# The Conversation Around Buy Now, Pay Later

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# Overview

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In growing numbers, customers have been adopting a new way of paying for their online purchase - “buy now, pay later.” Provide a bit of information and receive nearly instant approval to make your purchase on an installment payment plan.

Buy Now Pay Later (BNPL), or point-of-sale financing, is similar to a small installment loan. It is frequently offered interest-free to the consumer as a means for the provider to access new customers and markets.

This alternative way of transacting skyrocketed during the pandemic, as online shopping became the mode-of-choice. As a potential recession looms and consumer confidence falters, retailers have a stronger incentive than ever to consider adopting BNPL to tap into new markets, boost sales, and increase their competitive advantage.

But does BNPL only spell upside for retailers? Recently, BNPL has sparked increasing concern about predatory lending practices and irresponsible consumerism, prompting the Consumer Financial Protection Bureau to open an inquiry into the industry and setting the scene for potential regulatory action.

**To help companies better understand this developing landscape, Storyful Intelligence studied 12,600 mentions of BNPL across Instagram, Reddit, and TikTok over a year-long period through Spring 2022, using Storyful’s proprietary natural language processing tool, ANNI.**

# Online discussion on **BNPL** highlights opportunities and risks

Storyful Intelligence found that consumer opinion about BNPL varies. By some, BNPL is viewed as a driver of choice and empowerment, democratizing access to credit. However, there are also fears that the accessibility of credit is driving irresponsible consumerism and increasing unnecessary personal debt.

Below are the most prominent themes revealed by Storyful Intelligence's analysis of BNPL discussion on Instagram, Reddit, and TikTok:

**41%** of posts surveyed **discussed retail investor speculation** around the potential growth of the industry and stocks.

**21%** of posts related to **users sharing personal experiences of using BNPL** as a payment method, as well as marketing using product positioning to promote the financing option

**15%** of posts **focused on BNPL as a driver of irresponsible consumerism and spending.**

**12%** of posts specifically **referenced fashion and beauty advertisements**, reflecting the dominance of the industry in BNPL consumerism

**11%** of posts analyzed were **related to BNPL business models**, centering on how merchants profit from the service and the regulatory environment.

- Positive conversation around BNPL included the [flexibility](#) provided to consumers, as well as greater accessibility for those who may [struggle](#) to get access to credit, such as [gig economy](#) workers and students.
- Concerns raised in BNPL conversation surveyed included the encouragement of [irresponsible spending](#), profit generation from late fees, and [rising consumer debt](#). In such threads, consumers tended to portray BNPL as predatory and many influencers ([Johnefinance](#) (1.3m followers), [Faaresq](#) (2m followers) and others) issued warnings against its use.
- Commenters tended to see functional items such as a new [laptop](#), [phone](#), or [furniture](#), as more legitimate reasons to use BNPL than buying non-essential items.
- Debate played out regarding whether the consumer or the brand should be [responsible](#) for ensuring a proper understanding of personal debt.
- An emerging theme was interest in BNPL on [blockchain](#), as seen in a gaming subreddit. Those eager for the opportunity to pay in cryptocurrencies showed interest and enthusiasm for Atpay, a BNPL provider built on blockchain technology.

## • Gen Z spotlight:

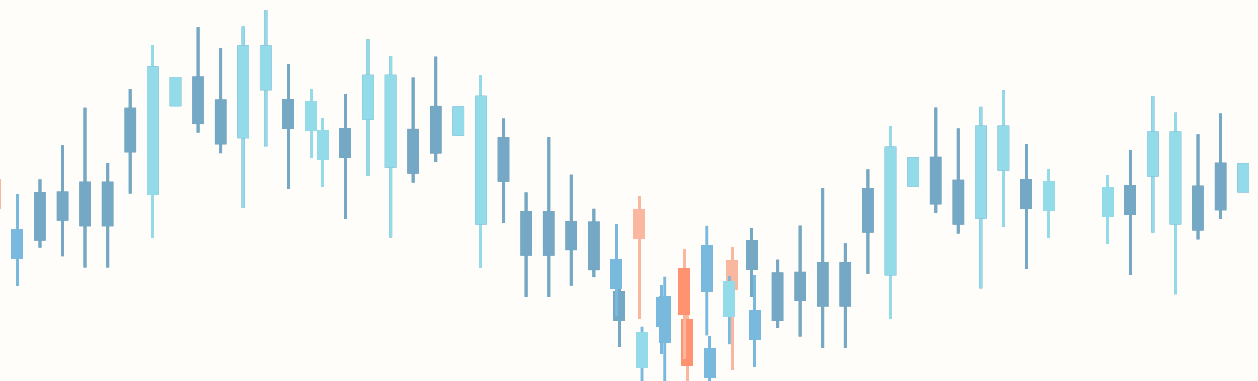
Comments identified to be from Gen Z users highlighted their apparent broader [acceptance](#) of BNPL, noting that they had been raised to be [cautious](#) about credit cards and that BNPL feels “[less like credit](#).”

Others, meanwhile, expressed fears that BNPL would [negatively impact](#) Gen Z in particular by causing financial struggles at a [young age](#).



# Actionable insights for financial services offering BNPL

Storyful Intelligence's analysis informs a number of insights that financial service providers can use to take effective advantage of BNPL and avoid association of its potential pitfalls.



# BNPL can be better for consumers than credit cards

**There is a strong thread in online conversation that sees BNPL as positive in that it provides consumers with choice and flexibility on payments, as long as users handle it responsibly.** Many users compared BNPL to credit cards, saying that both provide ways of spending beyond one's means, but that BNPL is more helpful in that it offers 0% interest and provides protection against customers being "cut off" from making further purchases if they miss a payment.

Commenters see some advantages to credit cards, in that they provide the opportunity to help build one's credit score and are more strictly regulated. Financial services supporting BNPL's offerings in marketing, should ensure they emphasize advantages over credit cards to ensure that consumers understand how this option can benefit them when used responsibly.



## Strategic questions to consider:

1. How can marketers leverage the idea of responsible financial management to promote BNPL?
2. Can comparisons with credit cards be used advantageously in BNPL marketing?



# BNPL presents reputational risks

Many posts on Instagram and TikTok overwhelmingly advertise BNPL for products such as fast fashion, which drives the perception that BNPL is accelerating hyper-consumerism and unsustainable purchasing among these audiences. **Working in partnership, financial services can mitigate the risks associated with BNPL by paying careful attention to the content and targeting of its marketing messages.**



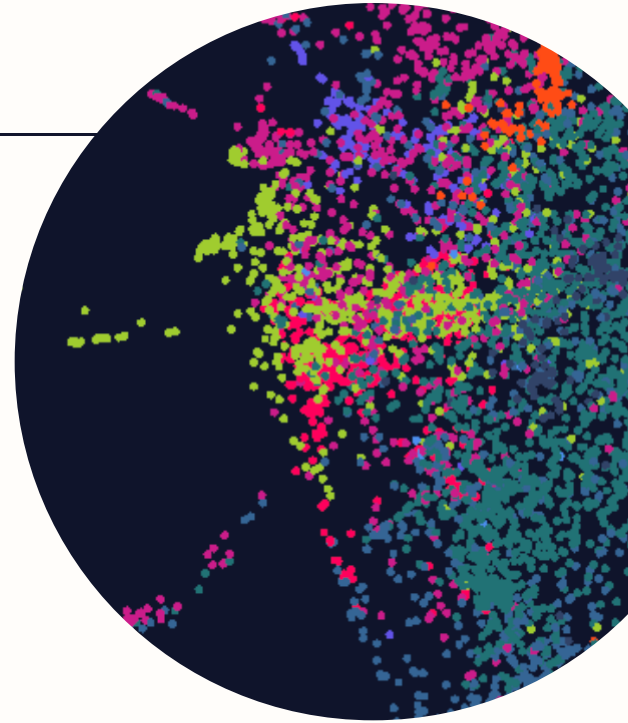
## Strategic questions to consider:

1. Is there messaging to be developed that associates BNPL with responsible money management?
2. Does the company's risk reporting provide management and the board information they need about the top risks associated with BNPL, and how they are managed?



# There is opportunity for BNPL to market to older audiences

While Millennials and Gen Z audiences seem to trust BNPL more than credit cards in many cases—even referring to VISA as a “boomer company,” for example—**older generations who are more familiar with credit cards tend to struggle to see the benefits of BNPL.** BNPL providers can connect with older consumers using targeted content that explains the benefits of these services. The greater inclusion of older shoppers as an audience for BNPL marketing could defray the perception that this industry is overwhelmingly focused on young people, particularly Gen Z.

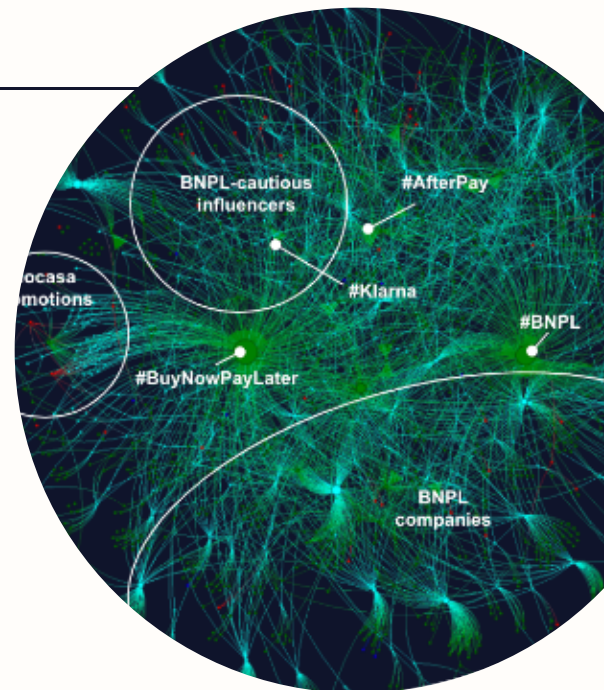


## Strategic questions to consider:

1. Where can marketers convey messages to older buyers about how BNPL can bolster responsible consumerism?
2. How can companies understand and monitor shifts in brand perception during key periods or promotional activity for BNPL products?

# BNPL companies could leverage FinTok to promote responsible usage

Some of the most influential people in the BNPL conversation are English-language FinTok influencers who caution their followers about using BNPL services. **BNPL services were not noticeably engaging in the topic of financial literacy online, leaving this space to be filled by influencers and organizations warning against its use.** Framing the benefits of BNPL in democratizing credit, particularly for “needs” over “wants” within this responsible and financially literate consumer narrative, could further position a BNPL company as seeking to provide “social good” while also supporting consumer choice and empowerment.



## Strategic questions to consider:

1. Is there an opportunity to team up with FinTok influencers to associate a brand with the wise counsel they impart on BNPL?
2. What elements of the “social good” angle can be explored in marketing for BNPL?



# Conclusion

According to Storyful Intelligence analysis, nascent conversation around BNPL online shows white space is available to brands and marketers to share information around topics of usage, financial responsibility, and opportunity provided by BNPL. While a connection to debt-driving payment options does have the potential to lead retailers into rising reputational and policy risks, there is ample opportunity for BNPL providers to position themselves at the forefront of responsible and empowering consumerism.

A financial services group might showcase how BNPL can help customers pay for the necessities of life instead of splurge on luxuries - helping to deflect negative impressions of BNPL and potentially forestalling tighter regulation through a commitment to consumer education and awareness-raising activities.

[Request a consultation](#)



# Appendix

*Further insights from Storyful Intelligence's year-long study of 12,600 mentions of BNPL across Instagram, Reddit, and TikTok using Storyful's proprietary natural language processing tool, ANNI.*

## Interest in BNPL business models

Perceptions of growth in BNPL are mixed in online commentary, with some investors fearing that the market has become oversaturated due to the number of companies emerging in the space. 41% of posts analyzed discussed retail investor speculation around the potential growth of the industry and stocks, while 11% related to BNPL business models. The discussion of business models frequently centered around how merchants profit from the service, how BNPL-oriented businesses function, and the regulatory environment.

## BNPL as an avenue for flexibility, choice, and access

A recurring theme concerned the potential for these services to be advantageous to customers by providing **flexibility**. Some commenters praised BNPL for providing more **choice** and access to purchases, including **fashion**, as long as customers using BNPL could do so **responsibly** and **make payments** on time. Commenters who had used BNPL within their means and made their repayments on time were most likely to make observations about the empowering nature of this mode of payment.

Some commenters praised BNPL as an option for those who may **struggle** to get access to credit, such as **gig economy** workers and students. Many praised BNPL as a way to help with cashflow by spreading payments out, with particular praise for BNPL options that offer **0% interest**. Another benefit raised was the ability to order multiple sizes of **fashion purchases** with the intention of returning those that don't fit without being debited for the full amount.

## Concerns about irresponsible consumerism

Despite some positive commentary, a large volume—15%—of the posts analyzed focused on BNPL as a driver of irresponsible consumerism and spending, as well as a generator of profits from late fees and rising consumer debt. In such threads, consumers tended to portray BNPL as predatory, and many influencers issued warnings against its use. Some commenters highlighted that repayments could be a **painful experience** without proper budgeting. On TikTok in particular, accounts highlighted how BNPL can be used to drive “**shopaholic**” behavior, making clear the perception that BNPL easily leads to potentially damaging spending habits.

Easier access to credit also raised fears of a potential **personal credit bubble**. Some commenters expressed **concerns** that buyers might struggle to make repayments, and that some younger users could suffer disproportionately from potential damage to credit. Commenters referred to their personal experiences and compared BNPL to other products with which they are familiar, such as **credit cards**, **lay by/layaway**, and loans.

Storyful found that commenters frequently linked the acceptability of using BNPL to the nature of the purchase. Specifically, they tended to see needs, including functional items such as a new **laptop**, **phone**, or **furniture**, as more legitimate reasons to use BNPL than buying non-essential items. This was highlighted in a discussion of using BNPL to pay for **flights**, with users agreeing it should not be used for a vacation but only for necessary travel such as a visit to a sick relative.

Purchasing fashion and beauty products, viewed as “wants,” was deemed to be more irresponsible. Many also viewed BNPL providers as more predatory when related to these products, and some accused BNPL of driving unsustainable practices such as **fast fashion**.

Among the most influential accounts in the conversation were English-language FinTok influencers, who sought to caution their followers about using BNPL services. These included **Johnefinance** (1.3m followers) and **Faaresq** (2m followers), among **others**, who gave warnings about spending outside of one’s means due to the fact that BNPL can make products seem more affordable.

Debate played out regarding whether the consumer or the brand should be **responsible** for ensuring a proper understanding of personal debt.

## Perception of Gen Z as the driving force behind BNPL

Comments identified to be from Gen Z users highlighted their apparent broader acceptance of BNPL, noting that they had been raised to be cautious about credit cards and that BNPL feels “less like credit.” Some students noted that it helped them afford necessities and bills. Other commenters expressed fears that BNPL would negatively impact Gen Z in particular by causing financial struggles at a young age.

Notably, some FinTok influencers sought to highlight risks around BNPL, while other influencers on the platform clearly target cash-poor Gen Z users. The hashtag #MocasaBNPL is heavily used by Filipino Gen-Z TikTokers and influencers to promote the company Mocasa. These advertisements target young users struggling financially and promote using BNPL to afford food. Comments included how to shop “if you have no money” or are a “shopaholic.” Marketing like this contributes to perceptions of the industry as driving irresponsible consumerism.

## Emerging connection between crypto and BNPL

A less visible but potentially emerging theme was interest in BNPL on blockchain, as seen in a gaming subreddit. Those eager for the opportunity to pay in cryptocurrencies showed interest and enthusiasm for Atpay, a BNPL provider built on blockchain technology. This further demonstrates the view that BNPL provides more consumer choice and flexibility in payment options.