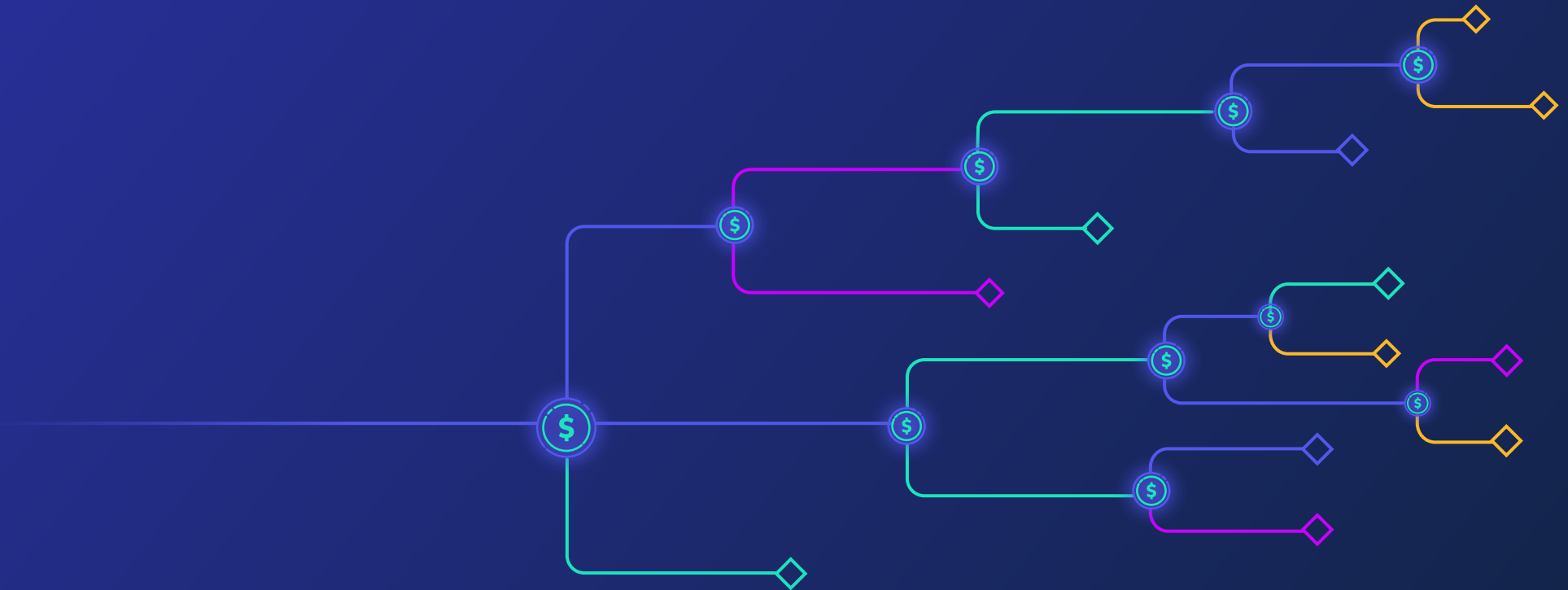


HOW WE PAY:

THE BREAD CONSUMER PAYMENTS REPORT



April 2021



How do we pay?

That is the essential question Bread set out to answer in our latest and most comprehensive customer survey to date.

Study conducted Feb 15-23 2021 with a random sample of n=2018 US consumers over 18 years of age. Margin of error is +/- 2.76% at the 95% confidence level.

We asked a broad segment of 2,000 shoppers of varying ages, locations, and income levels about their appetite for different payment methods, and the results uncovered new and informative insights.

Our survey focused on several alternative payment methods—which includes buy now, pay later (BNPL) and retailer-issued credit cards. We defined buy now, pay later options as either paying in monthly installments with interest, or splitting a purchase into four biweekly interest-free payments. When we speak about

retailer-issued credit cards, we specified these as co-branded or private-label cards that are used at or provide rewards for a specific retailer or group of retailers.

Here are our high-level takeaways:

- Awareness of buy now, pay later options is high, with 85.9% of shoppers saying they were familiar with these solutions.
- The majority of shoppers feel like their finances have improved in the last 12 months, and more than half are interested in trying a buy now, pay later option.

- Shoppers who use a buy now, pay later solution are more likely to try a retailer-issued credit card, and vice-versa.
- Nearly 70% of shoppers who rely on retailer credit cards and buy now, pay later do the majority of their shopping online.
- Gen X is more enthusiastic about paying in monthly installments than even Millennials.

Let's dive into the results and take a closer look at these findings.

01

Shoppers Are Diversifying Where and How They Pay

Our high-level overview of consumer payment methods established benchmarks for shoppers' spending habits. While traditional credit cards still reign supreme, a significant number of shoppers also have a card that is issued in partnership with a large retailer, and almost as many have already used a buy now, pay later option to pay over time at checkout.

More than half of consumers make the majority of their purchases online, and we only expect this number to rise as ecommerce's popularity grows. Over the course of an unpredictable year, more than a third of shoppers said that their finances had improved—more than those who said that their finances had taken a turn for the worse.



72.3%

of shoppers have a traditional credit card.



85.9%

of shoppers are familiar with buy now, pay later options.



57.5%

of shoppers spend more of their budget shopping online than in-person.



49.0%

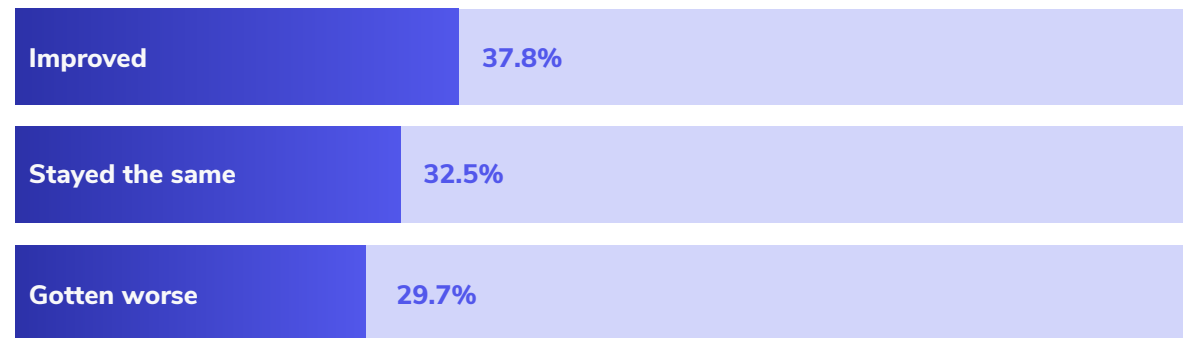
of shoppers have a retailer-issued credit card.



47.5%

of shoppers have used a buy now, pay later option.

How shoppers' finances changed over the past 12 months:



02

Interest in Alternative Payment Options is Growing

Shoppers are actively looking for more ways to pay, with around three-quarters of customers we surveyed expressing interest in using a retailer-specific credit card or buy now, pay later option at their favorite store.

More than half of shoppers are more interested in buy now, pay later financing than they were a year ago. Facing a changing retail landscape, shoppers are actively looking to experiment with more ways to control their finances and split their spending, rather than paying for major purchases entirely up front.



75.0%

of shoppers are likely to **open a credit card** with a retailer they frequently shop at.



74.0%

of shoppers are likely to **try a buy now, pay later option** with a retailer they frequently shop at.



51.2%

of shoppers are **more interested in financing** their purchases with a buy now, pay later option than they were 12 months ago.

03

Buy Now, Pay Later Drives Retailer Credit Card Adoption—and Vice Versa

Shoppers who are interested in one alternative payment method are more likely to be interested in others. Brands who already offer a branded credit card should consider broadening their payment solutions with buy now, pay later. Brands that are already seeing success letting shoppers split up payments could also benefit from offering a credit card of their own in the future.



49.5%

of shoppers who have used a buy now, pay later solution said they are **very likely to open a retailer credit card**.



42.9%

of shoppers who have a retailer credit card said they are **very likely to try a buy now, pay later option**.



62.1%

of shoppers who have a retailer credit card are **more interested in using a buy now, pay later option** than they were 12 months ago, vs 40.8% who don't have a retailer credit card.

04

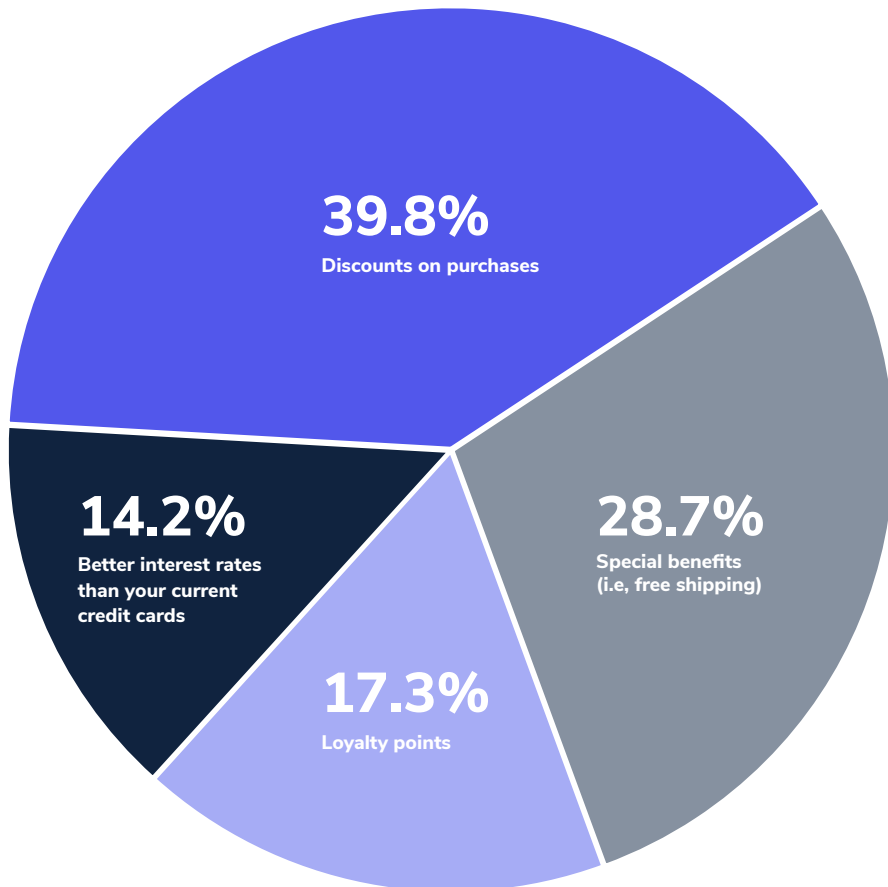
Experience Drives Behavior

When considering alternative payment options, a great shopper experience that adds value to customers is paramount. For retailer-issued cards, that means discounts and added benefits. When it comes to buy now, pay later, that means 0% interest and flexible options that give them plenty of time to pay for their purchase.





What would most motivate you to sign up for a retailer's credit card?



What would most motivate you to try a buy now, pay later option from a retailer?

Ability to pay back your purchase over six weeks with 0% interest



Ability to pay back your purchase monthly over a longer period of time



Instant approval and no hard credit pull



A recommendation from a friend or family member



Ability to help you build credit



Other



05

Who Uses Retail Cards and Buy Now, Pay Later Options?

The majority of buy now, pay later users are Millennials living in urban areas, though Zoomers and and suburb-dwellers make up a considerable portion as well.

The majority of retailer credit card shoppers are also Millennials, but almost double the amount of Baby Boomers have a retail credit card vs those who have tried a buy now, pay later solution.

57.8% of BNPL shoppers have a household income above \$50K, as do 64.3% of retail credit card holders. Nearly 70% of shoppers who rely on alternative payment methods do the majority of their shopping online. If you're an ecommerce-first business, then these payment methods need to be on your radar.

	Gen-Z	Millennials	Gen-X	Baby Boomers
Have used BNPL:	28.4%	44.7%	19.0%	7.7%
Has a retailer credit card:	27.2%	41.5%	18.8%	12.2%

Which best describes where you live?

	Urban	Suburban	Rural
Have used BNPL:	45.1%	40.2%	14.8%
Has a retailer credit card:	42.5%	42.7%	14.8%

In which annual income group does your household fit?

	<\$30K	<\$30K-\$50K	<50K-\$70K	\$70K-\$90K	\$90K-\$110K	+\$110K
Have used BNPL:	24.2%	18.0%	19.7%	14.8%	7.9%	15.3%
Has a retailer credit card:	17.7%	18.0%	20.2%	16.6%	9.9%	17.5%

Which best describes where you spend your money?

	Shopping online	Shopping in person
Have used BNPL:	70.4%	29.6%
Has a retailer credit card:	67.2%	32.8%

06

Millennials Are Driving Change, But Don't Forget Gen X

While overall awareness of buy now, pay later is high, Millennials are the only age group of whom more than 50% have used the option.

Gen X is surprisingly open to paying with buy now, pay later, with relatively high usage, but make up the smallest portion of retailer credit card users. Meanwhile Baby Boomers were the second most likely to have a retailer credit card behind Millennials.

Gen Z is more enthusiastic about buy now, pay later options with 0% interest than other age groups, ranking it as their preferred method of payment for a large purchase.

However, it's not just these younger market segments who are interested in paying over time. Gen X is more excited by paying in installments than even Millennials. Merchants would be wise not to forget about this generational group when promoting different payment methods.





Millennials



78.1% own a traditional credit card
54.0% own a retailer credit card



89.4% are familiar with buy now, pay later
56.5% have used buy now, pay later

Top Payment Methods for a \$1,000 Purchase:



22.3% Monthly installments
22.0% Credit card
20.4% 4 equal interest-free payments

Gen-X



71.8% own a traditional credit card
45.2% own a retailer credit card



85.2% are familiar with buy now, pay later
44.2% have used buy now, pay later

Top Payment Methods for a \$1,000 Purchase:



27.1% Monthly installments
21.1% Credit card
17.9% 4 equal interest-free payments

Gen-Z



63.2% own a traditional credit card
46.2% own a retailer credit card



85.7% are familiar with buy now, pay later
46.7% have used buy now, pay later

Top Payment Methods for a \$1,000 Purchase:



24.1% 4 equal interest-free payments
18.7% Monthly installments
16.8% Debit card

Baby Boomers



77.7% own a traditional credit card
47.1% own a retailer credit card



78.0% are familiar with buy now, pay later
29.0% have used buy now, pay later

Top Payment Methods for a \$1,000 Purchase:



31.7% Credit card
20.7% Monthly installments
18.4% 4 equal interest-free payments



Recommendations Based On Our Research

With these findings in mind, we've compiled our list of recommendations or retailers looking to capitalize on the seismic shifts in consumer payment behavior:

Now is the moment for ecommerce brands to capitalize on the buy now, pay later boom.

Alternative payment methods have reached widespread awareness, and are becoming an expected feature at checkout. Shoppers who use financing overwhelmingly shop online, and will seek out this option at the retailers they frequent.

Offering buy now, pay later and a private label or branded credit card is a force multiplier.

Shoppers who use one method are interested in using the other. Offering both provides them a suite of options to choose from depending on their purchase size and preferences.

Ensure you're providing the best payment experience possible.

For shoppers, that means offering an attractive 0% interest rate for financing, and some form of discounting or additional benefit when using your co-branded or private-label credit card.

Know your audience.

If your target demographic is urban Millennials or suburban Zoomers making more than \$50K, you should definitely consider a buy now, pay later option.

But don't underestimate any generation.

Gen X is also enthusiastic about using buy now, pay later options, as are a committed subset of Baby Boomers. Every generational group is engaging with new payment products in different ways, and the right suite of offerings is all it takes to unlock ecommerce growth.



Bread is a full-funnel, white labeled solution that helps merchants reach more customers by allowing them to offer financing online. Retailers partner with Bread to transform the shopping journey by offering financing and marketing solutions that boosts sales, increases AOV, and improves conversions.

For more information about this report or about Bread, please email us at sales@breadpayments.com.

