

Surge in the BNPL market leads to rise in competitive contenders

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There has been a surge in popularity of BNPL (Buy Now Pay Later) products that allow consumers to split purchases into installments this year, according to a recent [CNBC](#) survey. This surge is predicted to continue throughout the upcoming holiday season.



BNPL giants like Affirm, Klarna, and Afterpay have become household names in the United States and a popular checkout option amongst consumers that are making online purchases. Although [Buy Now Pay Later](#) is not a new concept, it gained more popularity during the Covid-19 pandemic as millions of financially strained consumers looked for flexible ways of making payments. Splitting purchases into installments and paying them off over a longer period, often at 0% interest, seemed like a safe bet for millions of Americans that were dealing with uncertainty around employment and expenses.

Growing consumer popularity was also reflected in increased market activity as companies, big and small alike, raised more money and made bigger bets on the booming BNPL market. In January 2021, Affirm went public selling shares at \$49 apiece — an implied valuation of \$12 billion. After listing on NASDAQ, [Affirm's shares shot up 98%](#), lifting its market valuation to \$23.6 billion. In June 2021, European fintech giant Klarna raised \$639 million at a staggering post-money valuation of \$45.6 billion. And the third quarter of 2021 was abuzz with news of Square buying Afterpay for \$29 billion in an all-stock deal. Others, such as Paypal, joined the race later and introduced a 'Pay in 4' offering in September 2020 and have since strengthened their positions in the BNPL market. Notably, Paypal CEO Dan Schulman decided to take a bet on the Asian Markets by acquiring Japan's Paidy for \$2.7B in September 2021, almost a year after introducing its BNPL product in the US.

To add to this activity, Buy Now Pay Later startups are flocking the market, growing fast, and raising more money than ever before. While incumbents like Klarna, Affirm, and Afterpay have become dominant players in the e-commerce market, the BNPL cohort of startups is tapping into demand in other parts of the market that remain untapped by the largest players. Having used e-commerce BNPL products before, consumers now have a bigger appetite for using BNPL products

elsewhere too, and are looking for alternatives to using credit cards. LatAm's Addi, UK's Zilch, Europe's Scalapay, and US-based Startups such as Wisestack and Resolve are some of the growth-stage startups that have had success raising Venture Capital dollars this year.

Early-stage startups are also innovating in this space. Healthcare, Wedding, Fashion, Home Renovation, and Utility Bill Payments are some of the industries where startups are now offering BNPL-style financing options either directly to consumers or businesses. One such startup that caught our attention is Neon.

Pay bills in installments with Neon

Led by Megha Agarwal and Avedibya Dey, [Neon](#), a Chicago-based startup, offers Buy Now Pay Later for essential recurring bills such as Rent, Utilities, and Insurance — to name a few. Neon offers an interest-free credit line and “Pay in 4”, i.e. the option to pay bills in four equal installments. This gives users the flexibility to make smaller but predictable payments over a longer period, without incurring any debt. Having previously worked with some of the largest financial services providers in the US — Fiserv, Capital One, Discover, Avant — Megha and Avee bring to the table firsthand experience of operating and managing complex financial products which have been key to building Neon's Buy Now Pay Later offering for bill payments.

Ever since the pandemic began, people have been stressed about making their bill payments and more than half of Americans have missed one or more payments in the last six months.

While uncertainty around employment, finances, and lost jobs are some of the reasons people have missed their payments, many have just been overwhelmed with their new lives in the Covid era. Essential workers have been working extra long hours, parents have been juggling work and taking care of kids at home — the list goes on. BNPL solutions like Neon provide a platform where users can connect their bills just once, and then every month the company automatically consolidates all bill amounts, automates payments, and sends notifications letting them know that their bills are paid. Neon is building a modern platform for the 21st-century consumer.

For too long we have been stuck with antiquated utility, rent, or mortgage portals that are slow and frustrating. Neon eliminates the need to visit five to ten different websites each month to track or make payments. Customers can also save money on bills they're already paying — Neon facilitates this through a business partnership with a bill negotiation company. Customers can access all these features within Neon's platform at the click of a button.

Final thought

In a time of intense financial turmoil, BNPL solutions are bursting in to support customers in sustainable and effective ways. Financial stress has an immense impact on one's physical and mental well being and you can eliminate financial stress by making use of such BNPL options. At the end of the day, it is advantageous for both the business and the client.

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