Pay Later, Grow Now: Exploring Australia's BNPL Boom

PayPal

Contents

Executive summary

For many consumers, payment flexibility is a key driver for making a purchase. While previously considered a "nice to have", offering pay later options, such as Buy Now Pay Later (BNPL) instalments, is now considered a must for many businesses across Australia.

Nearly 96% of Australians shop online, cash payments are only making up of 17% of monthly spending, with BNPL continuing to rise, with 37% of Australians using BNPL, up from 26% last year. And Australians are 116% more likely to purchase from a site that offers PayPal Pay in 4 than one that doesn't.

BNPL is helping Australians split larger payments, managing cost-of-living and budget/cashflow.

Pay in 4 helps convert and retain customers

48% of BNPL users switched to PayPal Pay in 4 because it has no late fees[1]

116% of Australians are more likely to purchase from a site that offers PayPal Pay in 4 than one that doesn't[1]

37% of Australians use BNPL, up from 26% last year[1]

~93% Australian Pay in 4 approval rate.[2]

2.5M Pay in 4 users in Australia as of March 2025.[3]

1. Based on research from the PayPal eCommerce Index 2025.
2. Based on PayPal internal data from August 2022 to June 2023.
3. Based on PayPal internal data analysis from March 2025.

Adoption and Usage

More than a third of Australians (37%) have used Buy Now Pay Later (BNPL) at least once in the last 6 months, an increase of 11% from last year

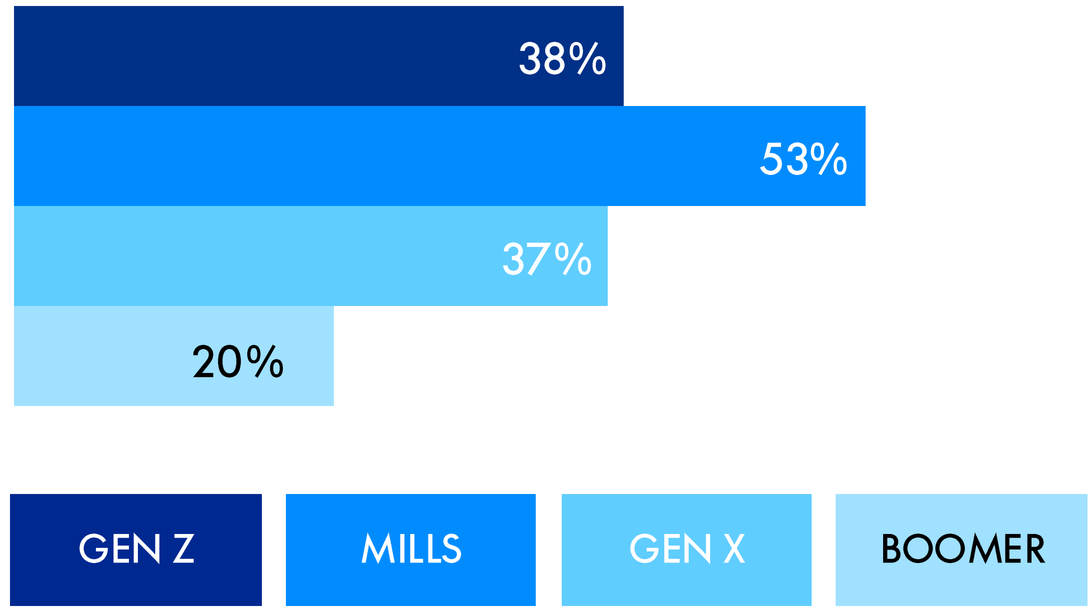
BNPL Adoption Status

(All Australians 18-75 years)

37%

vs 26% last year

of Australians are BNPL users



Popular BNPL Brands by Usage

(BNPL users)

78%
vs 80% in 2024
Afterpay

51%
vs 45% in 2024
PayPal Pay in 4

25%
Zip

11%
Klarna

6%
StepPay (CBA)

5%
NAB Now Pay Later

Buy Now Pay Later

BNPL has become more popular in Australia over the last 12 months.

More than 1-in-3 Australians (37%) are now BNPL users (up 11% from 26% in 2024. BNPL is most popular with Millennials with more than half (53%) using it to make purchases within the last 6 months.

The research indicates Afterpay (78%) is the most-commonly used BNPL service (relatively steady from 80% in 2024), ahead of PayPal Pay in 4 at 51%, up 6% YoY (45% in 2024).

A quarter of Australian BNPL users have used Zip (25%), while Klarna, StepPay (CBA) and NAB Now Pay Later all capture less than one-fifth of BNPL users in the last 6 months (Respectively, 11%, 6% and 3%).

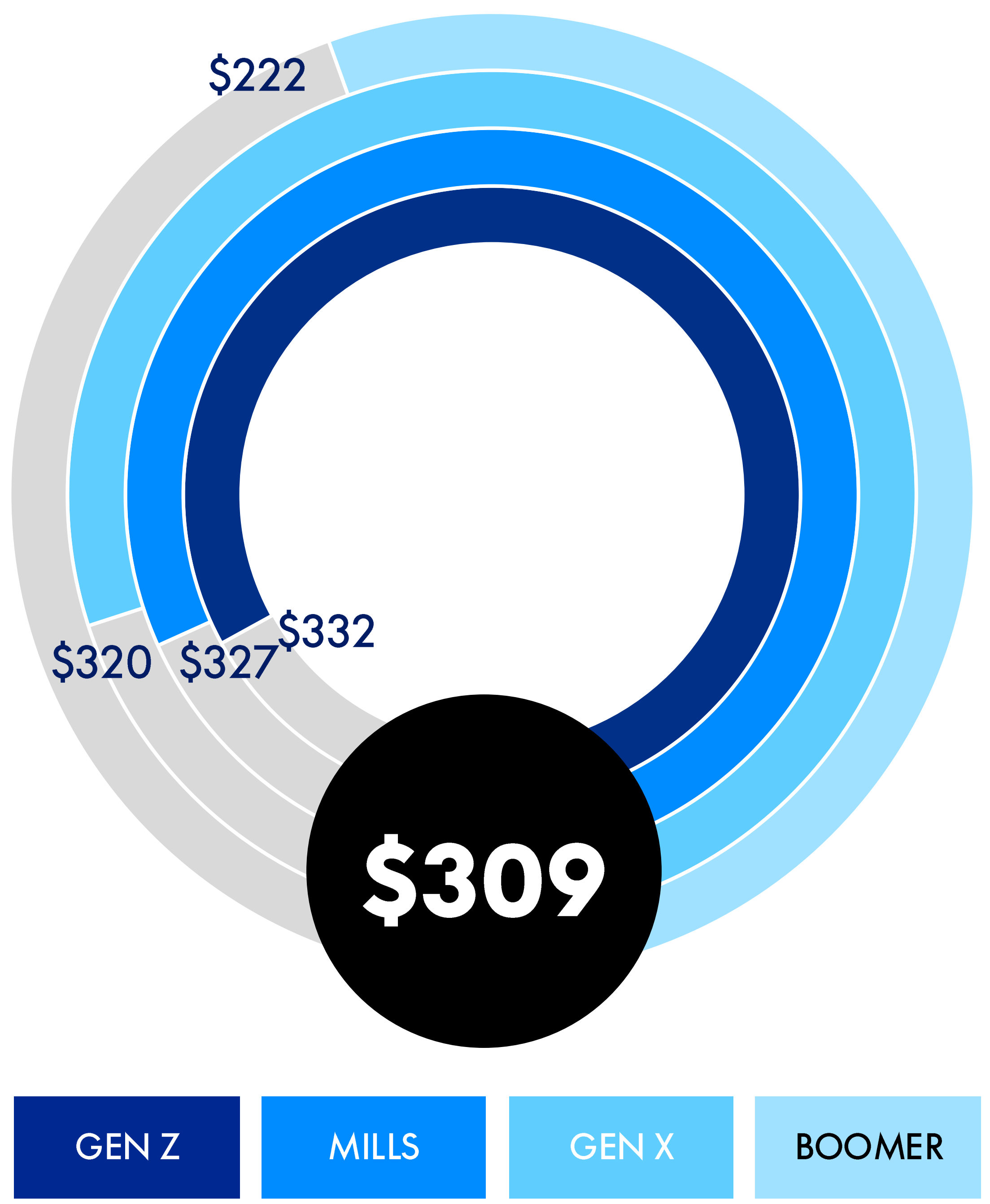
CQ3a. Thinking about when you make a purchase or pay online (exc. any payments physically in-store), which of the following payment options, if any, have you used in the last 6 months? CQ4a. Thinking about when you make a purchase or pay online, which of the following Buy Now Pay Later services, if any, have you used in the last 6 months?
BASE: All Australians 18-75 n=1022, BNPL Users n=377, Gen Z (18-27) n=89, Mills (Millennials) (28-43) n=298, Gen X (44-59) n=313, Boomer (60-75) n=322

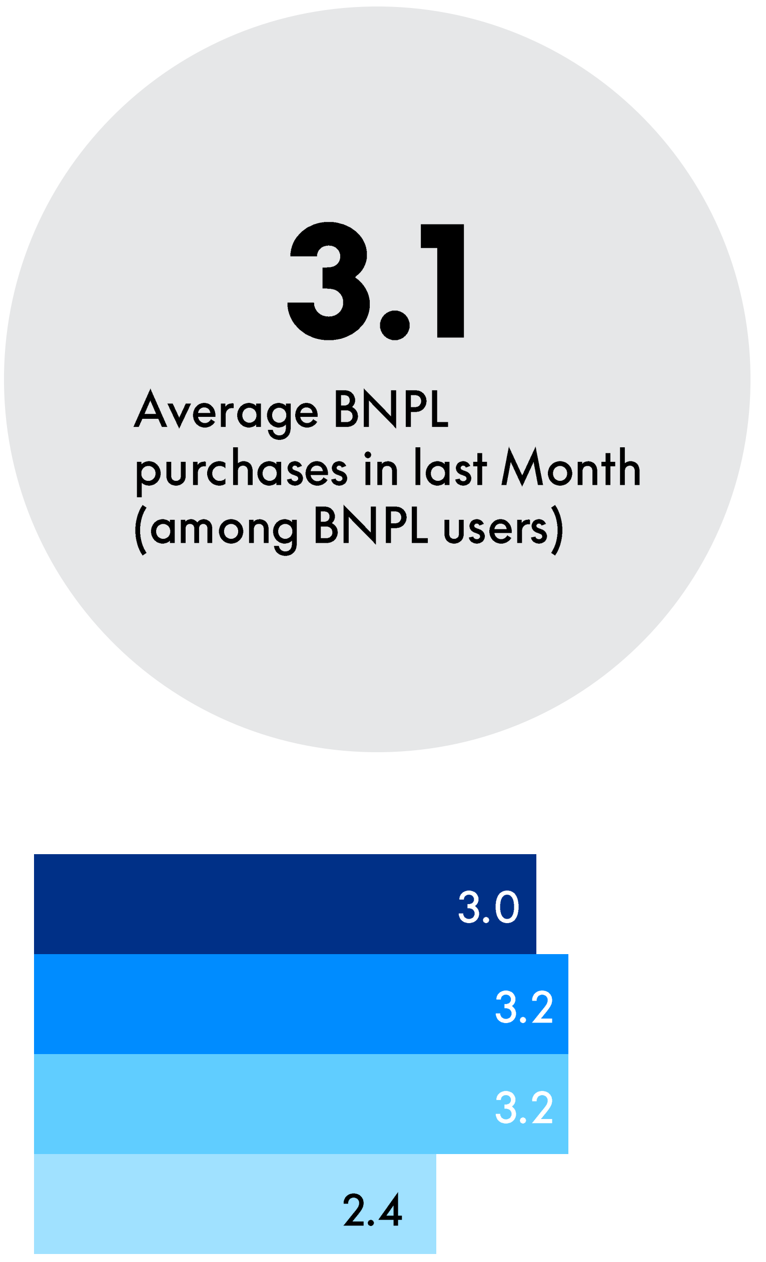
Spend and Transactions

BNPL users spend an average of $309 per month on purchases using these services, making an average of just over 3 BNPL purchases per month

Average Spend per Month on BNPL Purchases

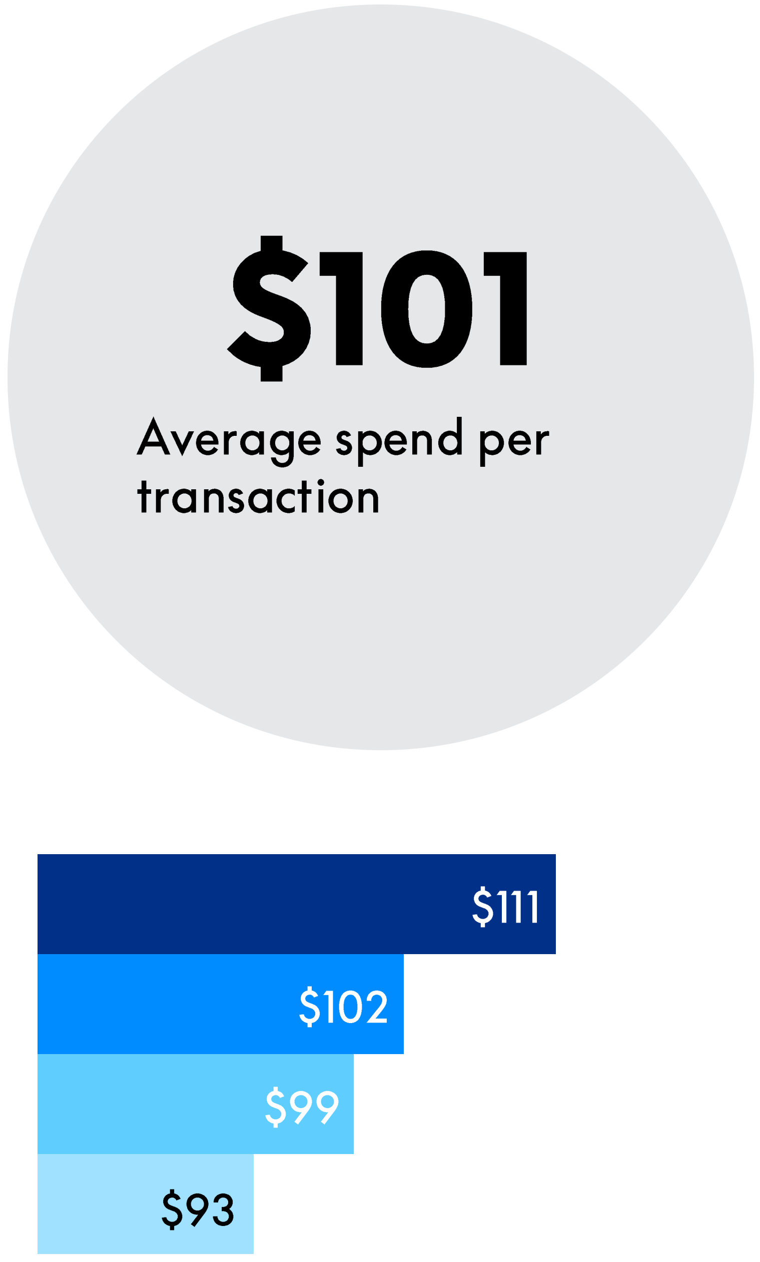
(BNPL users)





Average Spend Per Transaction

(BNPL users)



CQ16. How many times have you made an online purchase using a Buy Now Pay Later service in the past 3 months? CQ17. How much have you spent across all of your Buy Now Pay Later accounts in the last 3 months?
BASE: Buy Now Pay Later Users n=377; Gen Z n=39, Mills n=156, Gen X n=118, Boomer n=64

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Buy Now Pay Later

Buy Now Pay Later users are spending $309 per month on purchases using these services.

BNPL spend is highest among consumers under 60 years of age, with Gen X, Millennials and Gen Z BNPL users spending upwards of $320 per month via BNPL services. Boomer BNPL users spend the least through these services ($222).

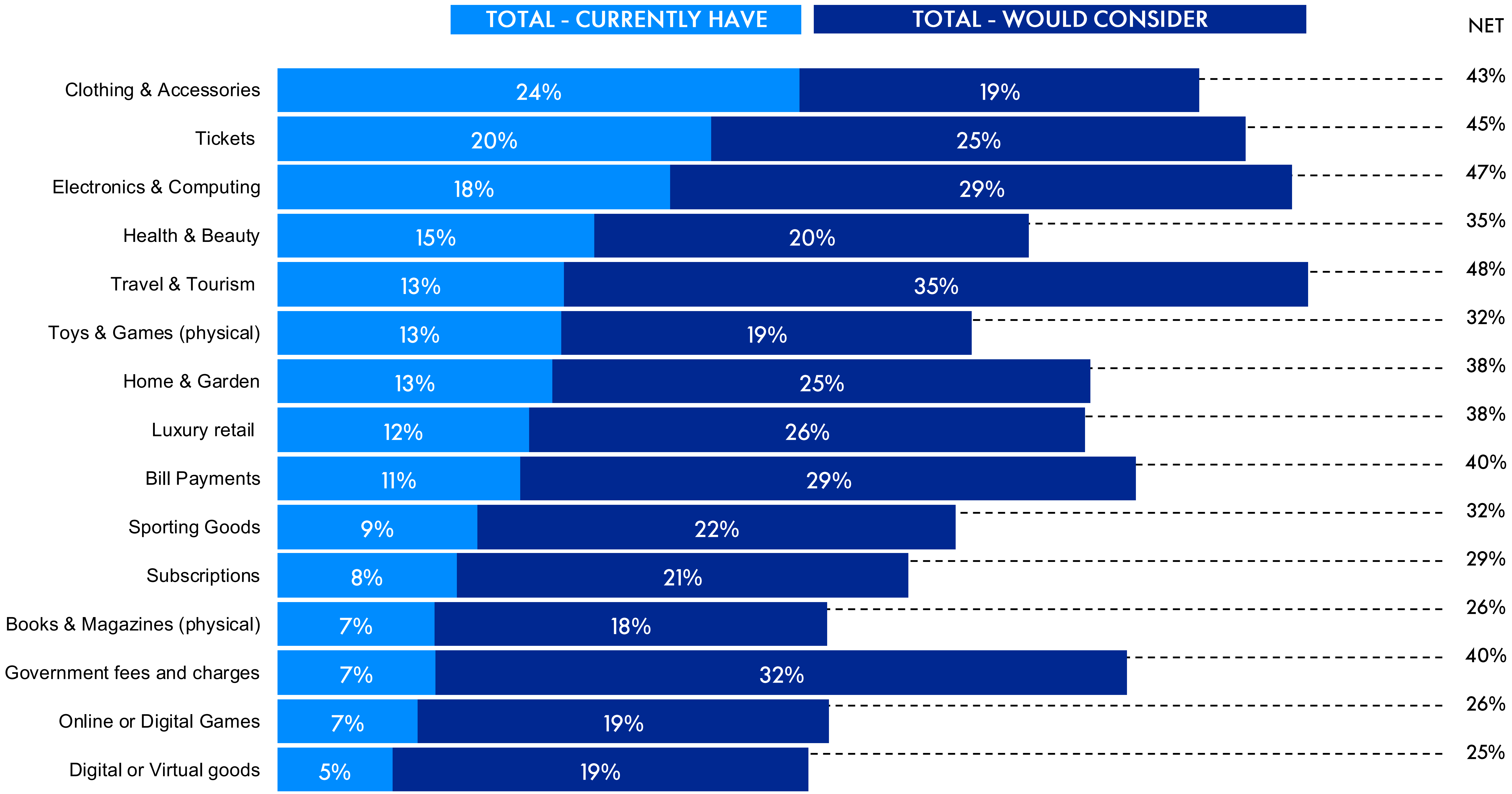
Australian BNPL users make an average of 3.1 BNPL transactions each month, which equates to an average spend of $101 per transaction. Gen Z ($111) leads the way here, ahead of Millennials ($102), with Gen X ($99) and Boomers ($93) both spending under $100 per BNPL transaction on average.

Purchase Categories

Consumers are more likely to consider using BNPL for ‘big ticket items’, such as travel & tourism (35%), and electronics & computing (29%)

Buy Now Pay Later Purchase Categories

(All Australians 18-75 years)



CQ15. Which of the following categories have/would you consider purchasing using Buy Now Pay Later services?
BASE: All Australians 18-75 n=1022

Buy Now Pay Later

Clothing and accessories remain the most common BNPL purchases, with almost a quarter (24%) of Australian consumers using BNPL for this category. This is followed by Tickets (20%), Electronics & Computing (18%), and Health & Beauty (15%).

Looking at potential growth categories, many Australians are open to considering BNPL for higher value purchases such as Travel & Tourism (35%), Electronics & Computing (29%) and Tickets (25%).

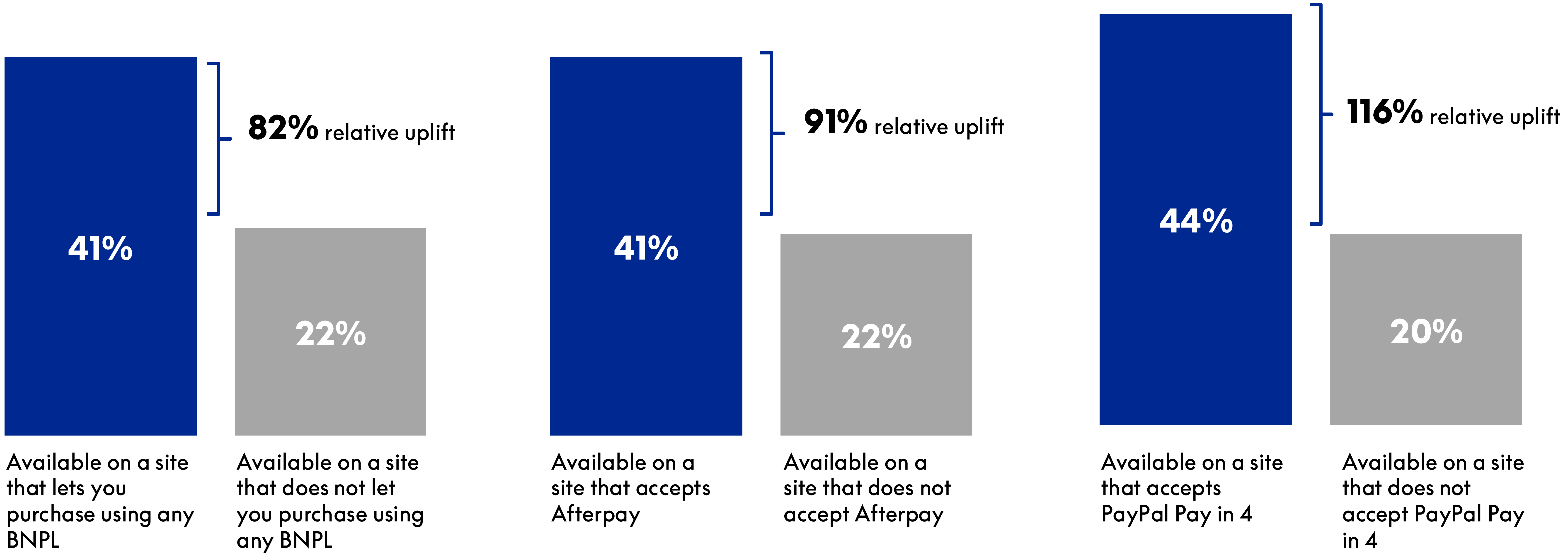
There is also a significant cohort who would consider paying Government Fees & Charges using a BNPL service (32%).

Impact on purchase behaviours

Australian eCommerce users are 82% more likely to purchase from a website that accepts BNPL than one that doesn't, with PayPal Pay in 4 driving a 116% relative uplift in purchase likelihood

Likelihood to purchase if a product is ...

(All Australians 18-75 years)



CQ23. If you find a product that you want on two separate sites, both of which are offering it for the same price (including any shipping costs), how likely would you be to buy the product if it...?
BASE: All Australians 18-75 n=1022, Relative uplift = Positive or negative percentage of likelihood to purchase if the service is available on that site when compared to that site without the service

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Buy Now Pay Later

The research indicates there's a strong benefit for businesses in offering Buy Now Pay Later on their eCommerce platforms.

If two websites were offering a product for the same price, Australians would be 82% more likely to buy that product from the website that offers a BNPL option.

PayPal's BNPL service, PayPal Pay in 4, has an even greater impact on likelihood to purchase as shown by the research. Australians would be 116% more likely to make a purchase on a website which offers PayPal Pay in 4, than one that does not. This is higher than another popular BNPL option Afterpay, which drives a 91% increase in purchase likelihood.

BNPL Behaviours

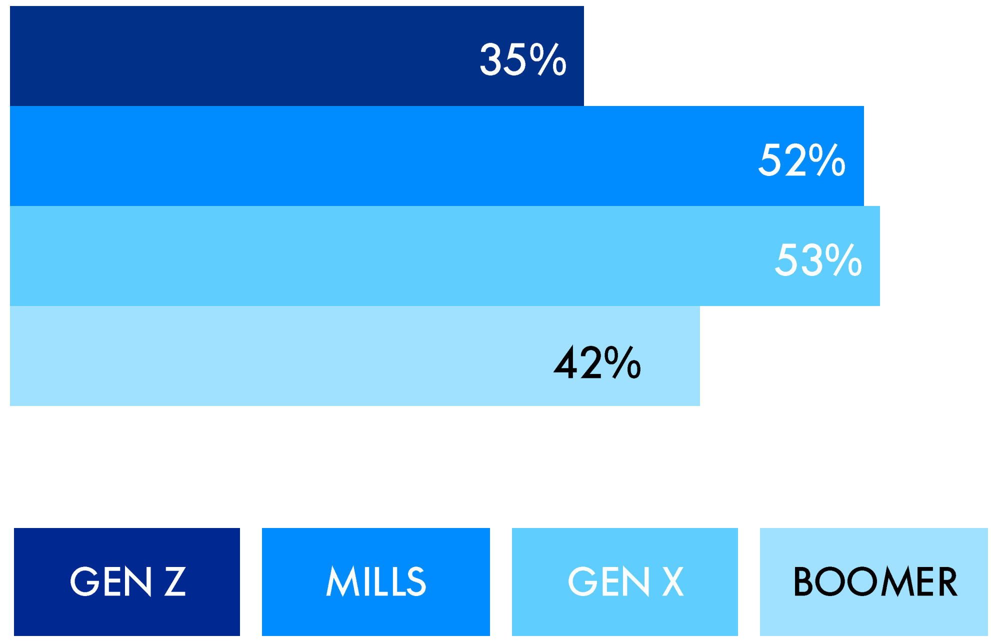
Almost half of Australian BNPL users (48%) say they've switched to using PayPal Pay in 4 because it has no late fees

BNPL Usage

(BNPL users)

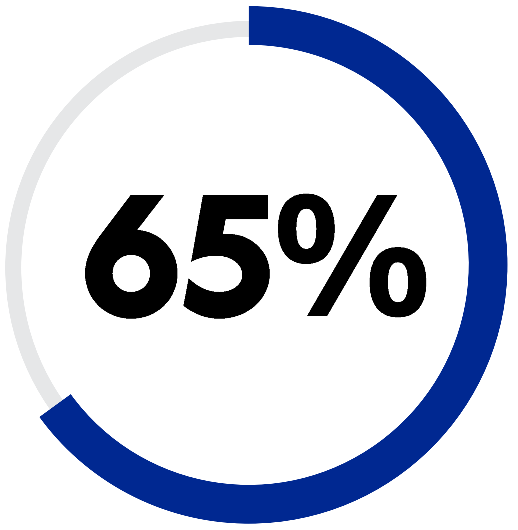
48%

of BNPL users switched to PayPal Pay in 4 because it has no late fees

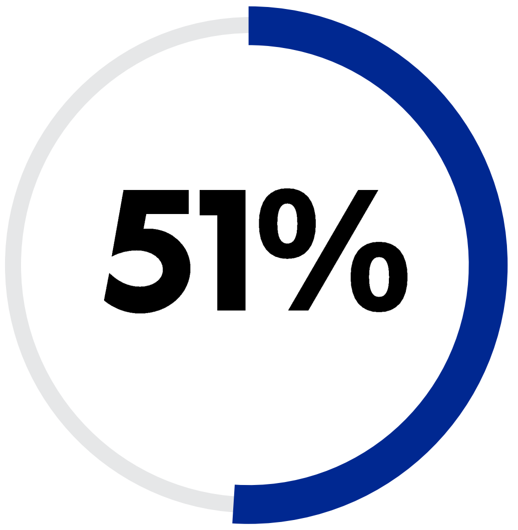


Buy Now Pay Later Experience

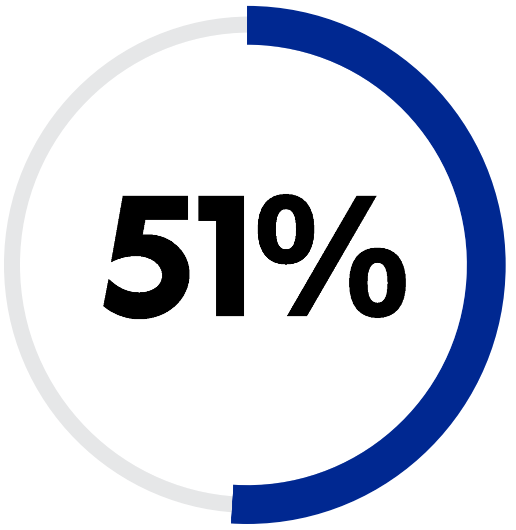
(BNPL users)



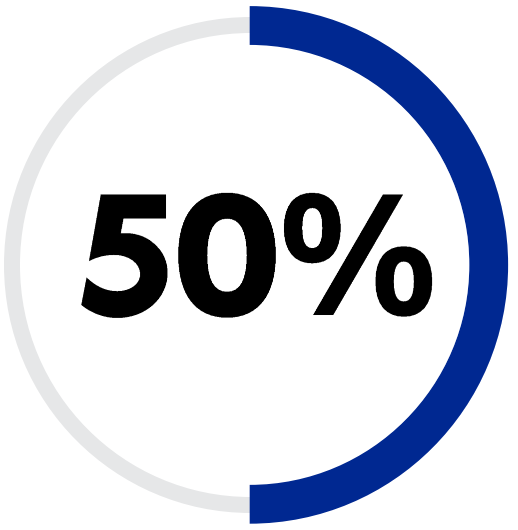
I use Buy Now Pay Later to spread out the cost of larger purchases or payments



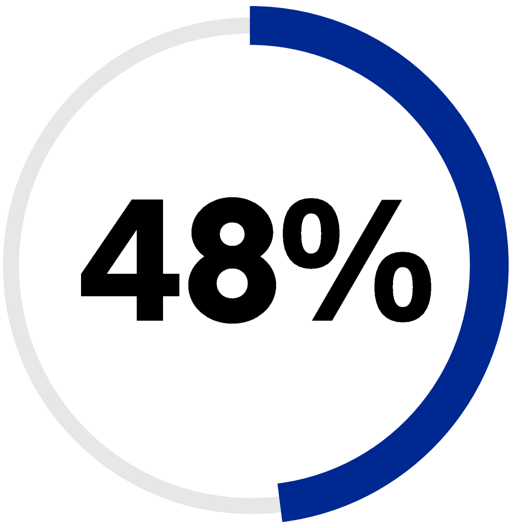
BNPL helps me manage cost-of-living pressures



I use Buy Now Pay Later to help manage my budget and cashflow



It has no, or lower, interest rates than other forms of credit



It provides more flexibility than other forms of credit

CQ19. Thinking specifically about BNPL, which of the following, if any, do you feel apply to you?
BASE: Buy Now Pay Later users n=377, Gen Z (18-27) n=39, Millennials (28-43) n=156, Gen X (44-59) n=118, Boomer (60-75) n=64

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Buy Now Pay Later

Results show nearly half of BNPL users (48%) have switched to using PayPal Pay in 4 due to it having no late fees, including more than half of Gen X (53%) and Millennial (52%) BNPL users

Almost two-thirds of BNPL users (65%) agreed that they use these services to spread out the cost of larger purchases or payments, helping them more effectively manage their finances in the current challenging environment.

Building on this, more than half of BNPL users agreed that it helps them manage cost-of-living pressures (51%) and their household budget and cashflow (51%).

When compared to other forms of credit, half of BNPL users (50%) reported the services have no or lower interest rates, and nearly half (48%) agreed it provides more flexibility than other forms of credit.

Business BNPL Sentiment

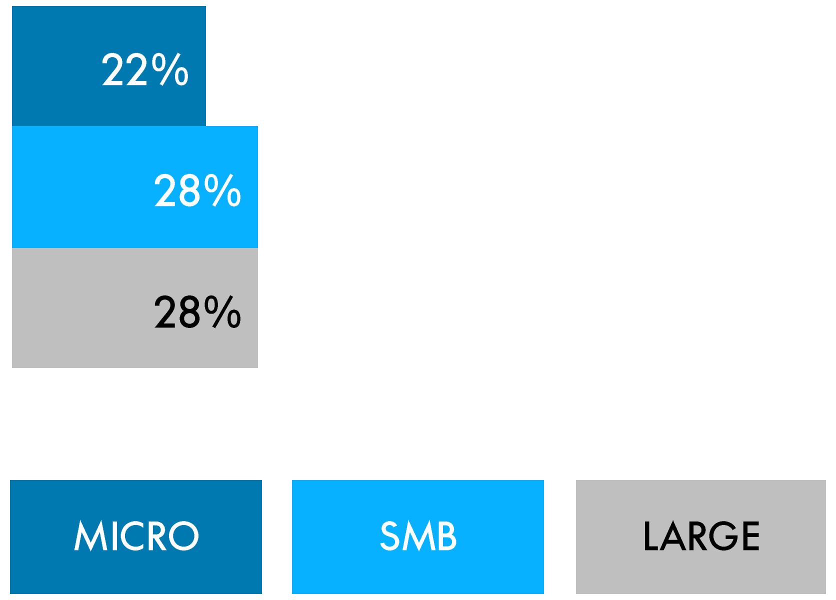
Over a quarter of businesses (27%) offer Buy Now Pay Later as a payment option, with more than half of those that do (53%) agreeing that it brings in new customers

Business Buy Now Pay Later Adoption

(All Businesses)

27%

of businesses currently offer Buy Now Pay Later

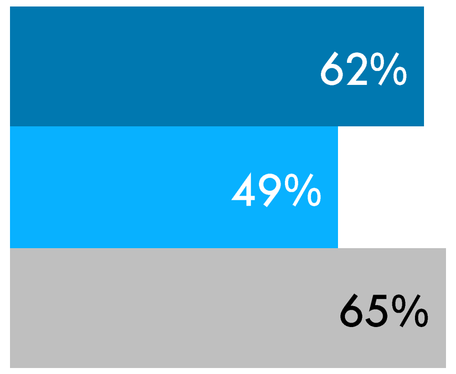


Business Buy Now Pay Later Benefits

(Businesses Offering Buy Now Pay Later)

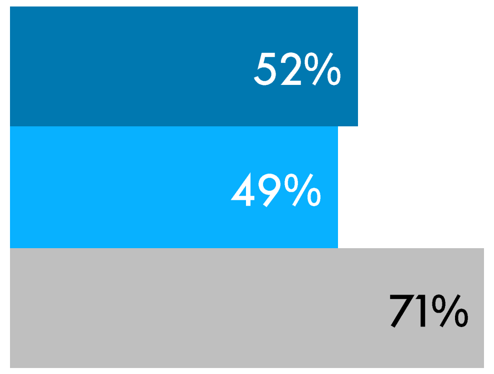
54%

Buy Now Pay Later meets customer expectations/ demands for choice of payment options



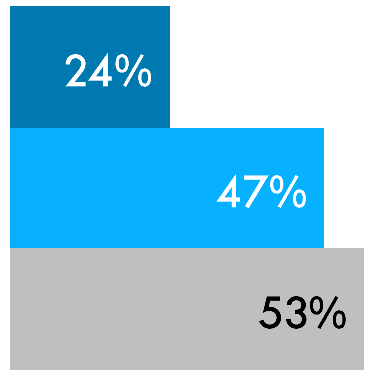
53%

Buy Now Pay Later brings in new customers



44%

Buy Now Pay Later brings in younger customers



MQ3. Which of the following online payment options do you offer your customers? MQ12. What are the benefits for businesses of offering Buy Now Pay Later?
BASE: Businesses that sell partially or wholly online n=413, Businesses offering Buy Now Pay Later n=110, Micro n=21, SMB n=72 and Large n=17

Buy Now Pay Later

Currently, over a quarter of Australian businesses (27%) offer Buy Now, Pay Later (BNPL) services to customers. For over half of these businesses (53%), BNPL is a strategy to attract new customers, a benefit most notable among large enterprises (71%) compared to micro (52%) and SMBs (49%).

Additionally, 54% report that offering BNPL meets customer expectations around having a choice of payment options, especially among large enterprises (65%) and micro businesses (62%).

Just under half (44%) of businesses offering BNPL find that it helps bring in younger customers, with this view more common among large businesses (53%).

Business BNPL Impact

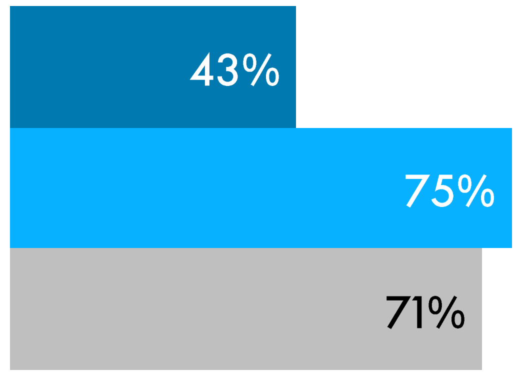
Implementing BNPL delivers double-digital increases in both average order value and conversion rates, with businesses that offer BNPL receiving a quarter of their revenue through these services

Business Buy Now Pay Later Impact

(Businesses Offering Buy Now Pay Later)

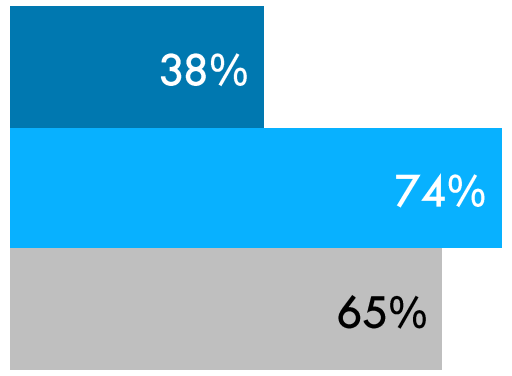
68%

have seen an increase on the average order value



65%

have seen an increase on the average conversion



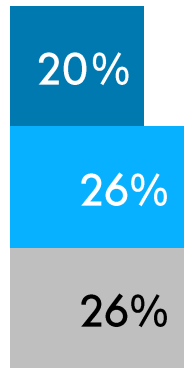
15% Average Order Value increase

11% Average Conversion Increase

MICRO SMB LARGE

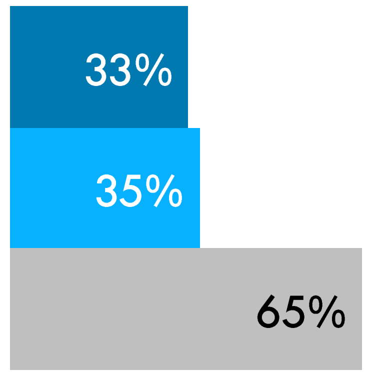
25%

of online turnover comes from Buy Now Pay Later services



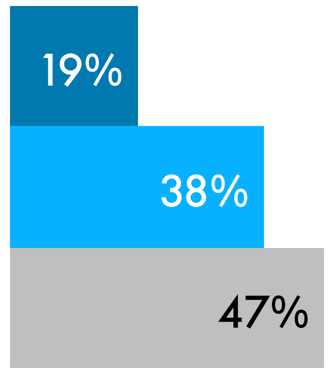
39%

Helps my business compete with bigger businesses



35%

Promoting BNPL on our website helps drive increased customer conversion



Buy Now Pay Later

Transactions using Buy Now, Pay Later (BNPL) services account for a quarter (25%) of online turnover among businesses that offer BNPL services.

More than two-thirds of businesses (68%) offering BNPL services report seeing an increase in average order value (AOV). On average the increase in AOV is 15%.

Similarly, 65% of businesses providing BNPL services report an increase in conversion rates, with the average uplift on conversion being 11% as a result of offering a BNPL payment option.

Additionally, 39% of businesses that offer BNPL agree it enhances their competitiveness with larger companies—a benefit particularly noted among large enterprises (65%).

More than a third of businesses (35%) have observed that actively promoting BNPL services on their website also boosts customer conversion rates.

MQ11. Approximately what percentage of your current online turnover, results from sales using a BNPL service? MQ13c. What impact has offering BNPL had / do you think offering BNPL would have on the Average checkout value / conversion? MQ14. Which of the following statements regarding BNPL do you agree with?
BASE: Businesses offering Buy Now Pay Later n=110, Micro n=21, SMB n=72 and Large n=17

Include PayPal Pay in 4 messaging to increase awareness.

At the top of your homepage

Placing PayPal Pay Later messaging at the top of your website's homepage is an eye-catching way to let consumers know that your business offers pay later options at the very beginning of their buying journey.

On product pages

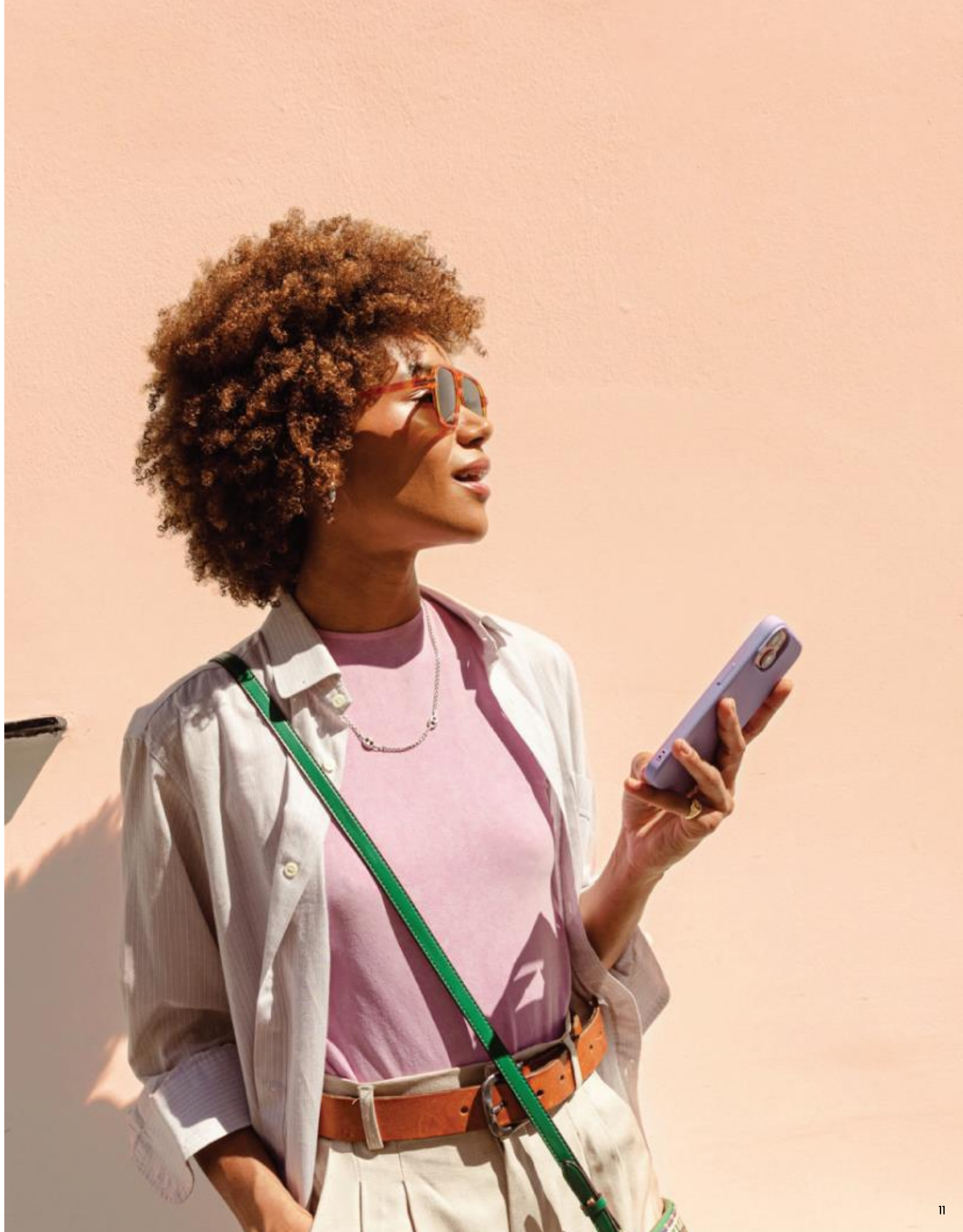
Including dynamic PayPal Pay Later messaging on your product and/or service pages can encourage consumers to make larger purchases with the flexibility of BNPL they are otherwise hesitant to buy. These messages can dynamically calculate instalment payments depending on the product price while customers browse and shop.

On the shopping cart and order summary pages

Having PayPal Pay Later options highly visible can encourage purchase completion.
Place Pay Later messaging above the 'checkout' button, below the cart total.
Present PayPal Checkout and Pay Later buttons in the same size and shape as the 'Checkout' call to action (CTA) button.

On a dedicated financing information page

A dedicated financing information page can provide cautious customers all the information they need and give them the confidence to make the purchase.



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Presenting the PayPal Pay in 4 button

Use the stacked button to present PayPal Checkout and PayPal Pay in 4 equally. Using the gold button leverages PayPal's brand recognition and can improve conversions as shoppers can trust that PayPal keeps their purchases secure.

PayPal

Pay in 4

The PayPal Pay in 4 button provides another payment choice for PayPal customers. By including Pay in 4 messaging across your site and presenting it as equal to PayPal Checkout and traditional checkout in your shopping cart, you can drive awareness and leverage the PayPal brand to close the sale.

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About PayPal

For over 25 years, PayPal has been transforming commerce for businesses worldwide. By providing innovative, secure, and personalised solutions for payments, sales, and shopping, PayPal empowers businesses across nearly 200 markets to grow and succeed in the global economy.

For many businesses in Australia, PayPal is their end-to-end payments partner, helping to deliver growth and efficiencies. With just one integration, PayPal offers your customers the payment methods they're looking for including PayPal, PayPal Pay in 4, credit and debit cards, and Apple Pay® and Google Pay™.

To learn more about how PayPal can help you future-proof and simplify your business, visit: paypal.com/au/business

About the research

PayPal eCommerce Index 2025

This research report was produced by PayPal Australia Pty Ltd, based on a study conducted by Fifth Quadrant with n=1,022 consumers and n=413 businesses. It contains general observations about trends in eCommerce, as well as security, buy now pay later, circular economy and the small business landscape. The study does not take into account the objectives, situation or needs of any specific business or individual.

The consumer research conducted by Fifth Quadrant consisted of a 20-minute online survey of n=1,022 aged 18 – 75 years. In addition, Fifth Quadrant conducted a 10-minute online survey of n=413 business decision makers within Australian B2C businesses who sell partially or wholly online. Numbers may not add to 100% due to rounding.

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Consumer sampling

The consumer research consisted of a sample of n = 1,022 Australians aged 18 - 75. The sample was weighted by age, gender and location to ensure data was nationally representative. Significance testing was conducted at a 95% confidence interval, with a potential sampling error of 2.9%.

Business sampling

The business research consisted of a sample of n = 413 decision makers within Australian businesses. All businesses had to sell partially or wholly to consumers, and partially or wholly online. Quotas were set on turnover and location, and the industry. Significance testing was conducted at a 95% confidence interval, with a potential sampling error of 4.7%.

Methodology

Online self-completion survey. The research was carried out in compliance with the AMSRS Guidelines and National Privacy Principles. Sample was sourced through consumer and business research panels, with participants incentivised for completing the survey.

Timing

The research was in field 10-26 September 2024.

Generational Ages & Business Sizes

Generational Ages at time of survey: Gen Z (18-27 years);
Mills aka Millennials (28-43 years); Gen X (44-59 years);
Baby Boomer (60-75 years).
Business counts: Small Businesses (<$2m turnover), Medium Businesses ($2m - $10m), Large Enterprises ($10m+)

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