

# PRESS RELEASE

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## **APAC BNPL firms facing combined USD 5.2bn in losses by 2025 on current P&L trajectory, reflecting unsustainable nature of existing business models**

*Quinlan & Associates sees an urgent need for APAC BNPL firms to reinvent their business models, necessitating widespread strategic and operational change*

**Hong Kong, 24 February 2022** – Quinlan & Associates, a leading independent strategy consulting firm specialising in the financial services industry, has released a landmark report looking in detail at the challenges (and opportunities) for Buy Now Pay Later (“BNPL”) companies in APAC.

The report, titled, *Buy Now, Pray Later: Solving for Commercial Sustainability in Asia Pacific’s BNPL Industry*, looks in detail at the various shortcomings of existing BNPL business models in APAC and what needs to be done to drive commercial sustainability in the years ahead.

‘Despite strong headline growth, BNPL players – in developed and emerging markets alike – are facing challenges on a number of fronts, including unsustainable customer / merchant acquisition costs, NPLs, and funding costs, which is further compounded by low user retention rates,’ said Benjamin Quinlan, CEO of Quinlan & Associates and lead author of the report. ‘Add to this a climate of increased regulatory scrutiny in the West, which is likely to spill over into APAC, and it’s clear that BNPL firms in the region are struggling to turn a profit, with even the most established players making sizeable losses.’

The authors estimate that the largest BNPL players in APAC are seeing average profit margins of -15%, which rises to -100% for firms focused on emerging Asia. Under their current business models, they estimate APAC BNPL players are facing from a combined P&L loss of USD 5.2 billion by 2025.

‘While high customer and merchant acquisition costs may be a normal part of start-up life, high funding costs (which are set to rise in coming years as central banks globally raise interest rates) and the fact that most BNPLs still wear sizeable credit risk on their books, is seeing investors turn their back on the industry, with BNPL share prices being battered across-the-board in 2021’, continued Mr Quinlan.

With incumbent and start-up BNPL providers suffering from unsustainable losses, the authors believe the BNPL business model, as it stands today, needs a fundamental rethink. ‘We see three key pathways this can be done – optimisation, integration, and expansion,’ said Mr Quinlan. ‘For many BNPLs, all three of these pathways will need to be considered if they are to remain commercially viable.’

The authors note that the BNPL industry brings an opportunity for incumbent institutions to enhance their value propositions and amass a younger consumer base. ‘Given the relatively low barriers to entry and ease of replicating the BNPL model, we have seen a growing number of incumbents entering the space. In particular, we see a huge opportunity for banks, NBFI, and payments companies to capitalise on their low funding costs and/or large captive customer bases to win market share,’ said Mr Quinlan.

The report concludes by stating that if suitable strategic and operational adaptations are made, a more positive outlook for the industry awaits, with a USD 3.7 billion profit opportunity up for grabs by 2025.

### **About Quinlan & Associates**

Quinlan & Associates is the first firm to offer end-to-end strategy consulting services. From strategy formulation to execution, to ongoing reporting and communications, we translate cutting-edge advice into commercially executable solutions. With our team of top-tier financial service and strategy consulting professionals and our global network of alliance partners, we give our clients the most up-to-date industry insights from around the world, putting you an essential step ahead your competitors.

For more information, please visit [www.quinlanandassociates.com](http://www.quinlanandassociates.com).

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