

# BUY NOW, PRAY LATER

SOLVING FOR COMMERCIAL SUSTAINABILITY  
IN ASIA PACIFIC'S BNPL INDUSTRY

FEBRUARY 2022



QUINLAN  
& ASSOCIATES

# SECTION 1

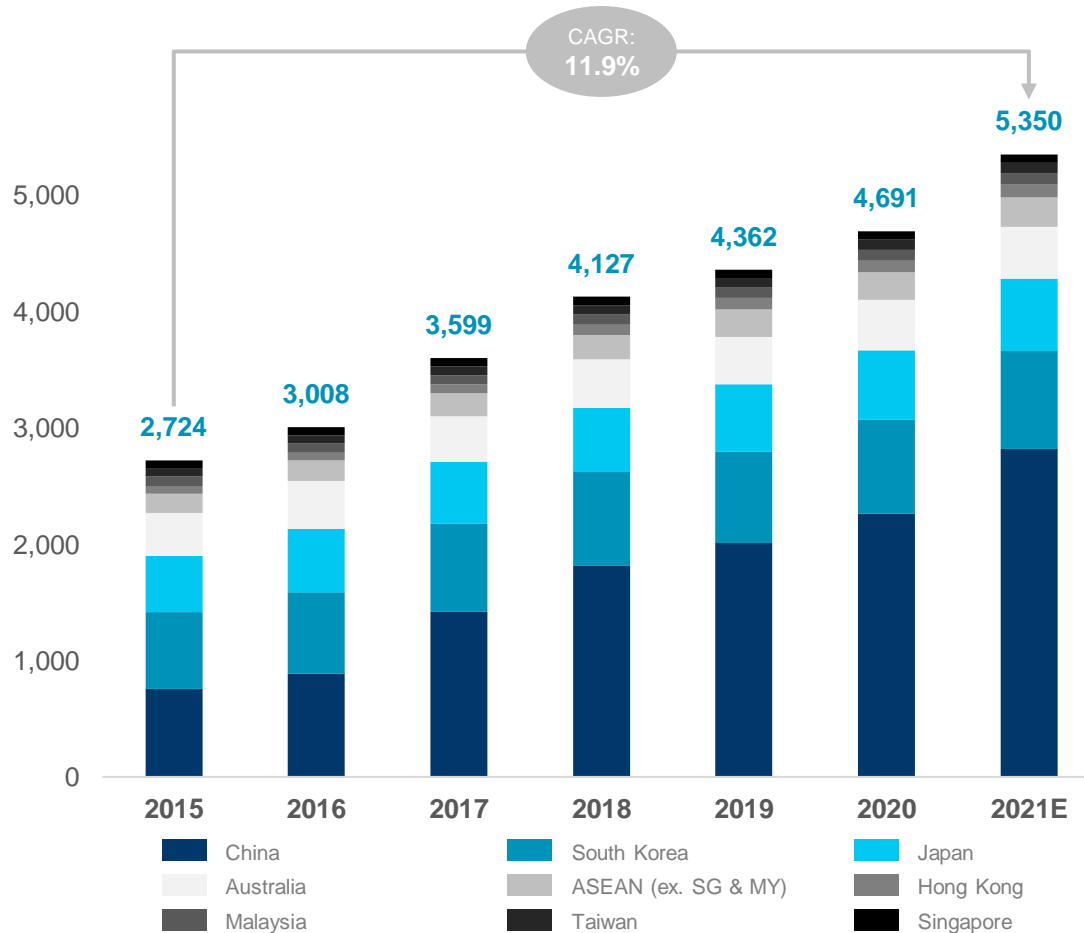
## APAC CONSUMER FINANCE DYNAMICS

# APAC CONSUMER FINANCE MARKET





Buoyed by years of robust economic growth and booming household consumption, the Asia Pacific (“APAC”) consumer finance market has grown rapidly in recent years

## Consumer Finance Market

2015-21E, USD billion



### KEY GROWTH DRIVERS

- 
**Economic Growth**  
 Rapid economic growth results in a more confident population that is willing to purchase on credit
- 
**Growing Middle Class**  
 Individuals with rising status borrow to finance purchases to align with higher living standards
- 
**Rising Internet Penetration**  
 Strong internet coverage enables delivery of credit products in a scalable manner
- 
**New Product Development**  
 Credit providers are developing new products to address nuanced needs of the local populace

# INCUMBENT SOLUTION PAIN POINTS

Despite strong historical demand, traditional consumer finance products have drawn increased criticism and negative publicity from both consumers and merchants alike

## Pain Points

Consumer Finance



### POOR EXPERIENCE

Consumers typically need to apply at branches, with considerable waiting time for loan application / approval



### COMPLEX APPLICATIONS

Traditional products require consumers to furnish a number of paper-based documents, with high rejection rates



### HIGH INTEREST & FEES

Traditional products typically charge high interest rates, together with a plethora of hidden fees and charges



### LOW CONVERSION RATES

Traditional credit products do not drive conversion across consumer numbers and purchase rates for merchants



### STATIC ORDER VALUES

Consumers are not incentivised to increase order values through traditional credit products



### NO MARKETING SUPPORT

Lack of concrete partnerships result in merchants being unable to capitalise on products being offered



CONSUMERS



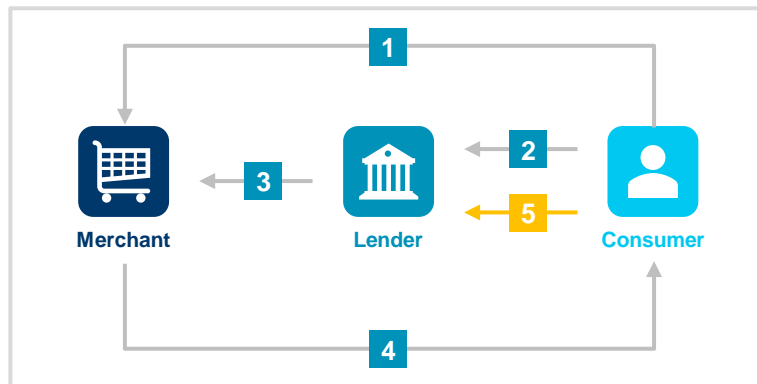
MERCHANTS

# BUY NOW PAY LATER

Recognising the limitations of incumbent solutions, various alternative consumer finance solutions have emerged – the most notable one being Buy Now Pay Later (“BNPL”)

## Traditional Consumer Finance

Business Model

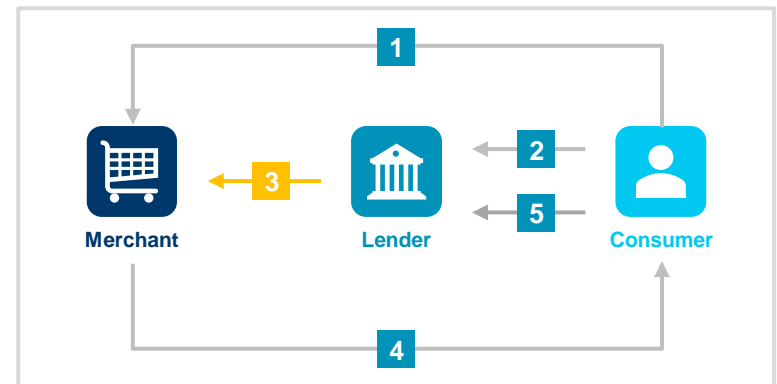


- 1 Consumer buys goods from the Merchant's catalogue
- 2 Consumer applies for credit / loan from the Lender
- 3 Lender pays the total transaction value to the Merchant
- 4 Merchant confirms payment and delivers goods to the Consumer
- 5 Consumer repays principal plus interest to the Lender, via instalments

**Lenders monetise consumers via interest charges and / or processing / transaction fees**

## BNPL

Business Model



- 1 Consumer buys goods from the Merchant's catalogue
- 2 Consumer applies for credit from and pays down payment to the Lender
- 3 Lender pays purchase amount, with MDR deducted, to the Merchant
- 4 Merchant confirms payment and delivers goods to the Consumer
- 5 Consumer repays principal to the Lender, via instalments

**Lenders monetise merchants via an MDR for driving additional marketing and sales**

← Revenue Source

## SECTION 2

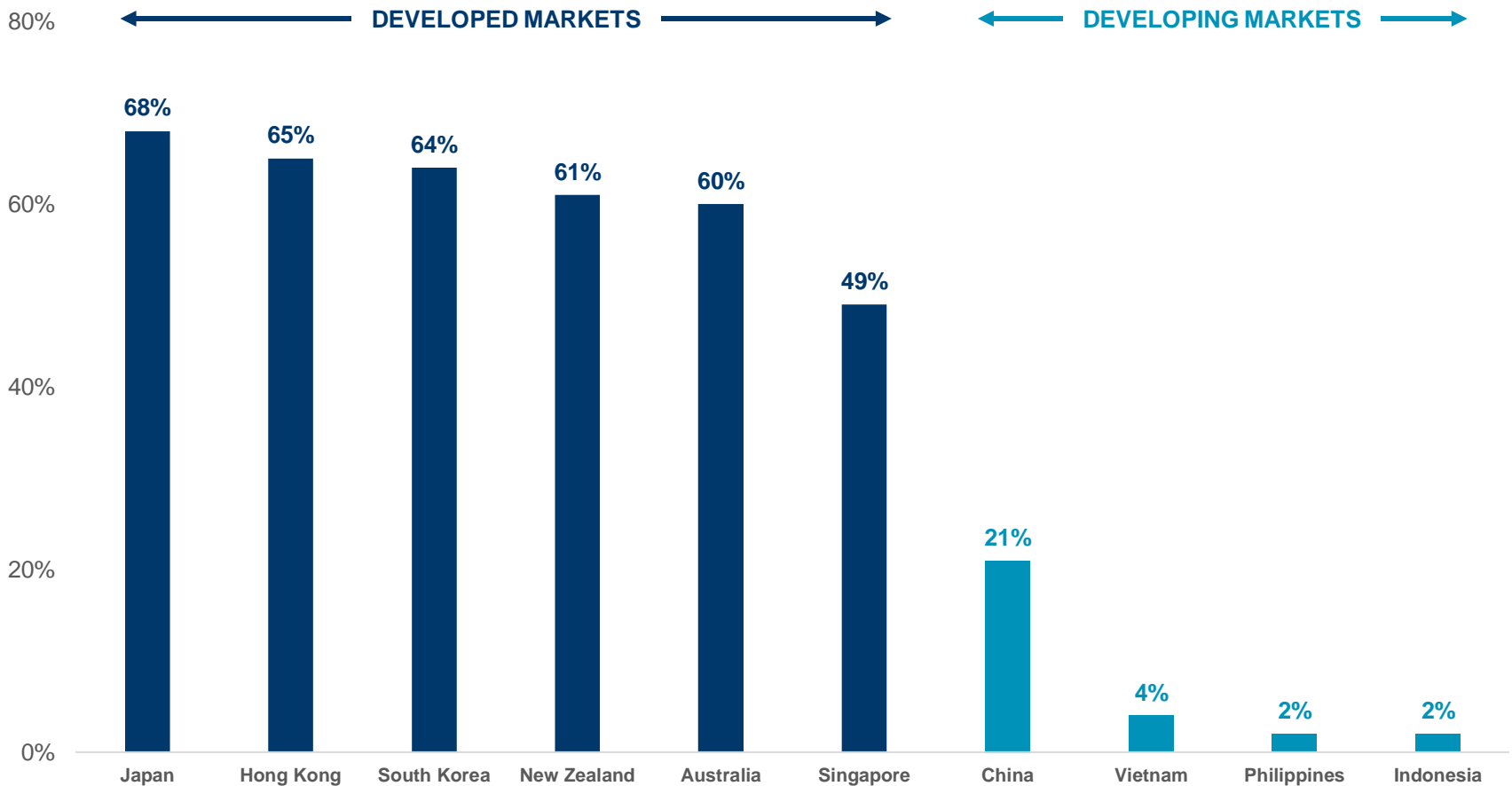
# THE BNPL LANDSCAPE

## DISTINCT CREDIT INDUSTRY DYNAMICS

BNPL players in the region have markedly different positioning, largely reflecting the divergent consumer credit industry dynamics across APAC

### Credit Card Ownership

2020, %

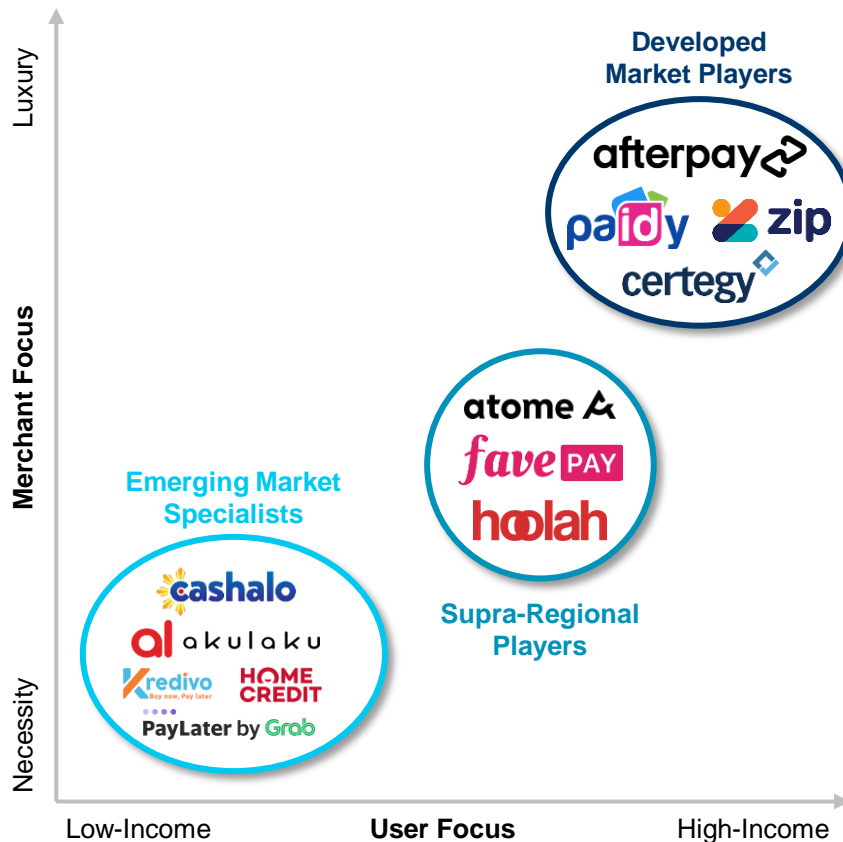


# APAC BNPL LANDSCAPE

Due to the heterogenous nature of the APAC market, BNPL providers operating in the region offer very distinct value propositions

## APAC BNPL

Industry Landscape



**1** **Developed Market Players**  
Developed market players operate in countries where the population is highly banked, with larger disposable incomes

**2** **Supra-Regional Players**  
Supra-regional players typically operate in more developed Asian markets, such as Singapore, Hong Kong, and Malaysia

**3** **Emerging Market Specialists**  
Emerging market specialists operate primarily in ASEAN countries, where most of the population is unbanked









## SELECTED BNPL EXAMPLES

BNPL companies' target users (across income levels) and partner merchants (across merchant positioning) reflect their industry positioning

### APAC BNPL

Selected Examples

	Firm	HQ	Launch Date	Markets Covered	Merchants	Users (million)	← User Focus →			← Merchant Focus →		
							Low Income	Middle income	High Income	Staples	Durables	Luxuries
Developed Market Players	Afterpay		2014	8	100,000	16	High	Med.	Low	Staples	Durables	Luxuries
	Paidy		2014	2	700,000	7	High	Med.	Low	Staples	Durables	Luxuries
Supra-Regional Players	Hoolah		2018	3	1,500	1	High	Med.	Low	Staples	Durables	Luxuries
	Atome		2019	9	5,000	20	High	Med.	Low	Staples	Durables	Luxuries
Emerging Market Specialists	Akulaku		2016	4	90,000	5	High	Med.	Low	Staples	Durables	Luxuries
	Kredivo		2016	3	1,000+	4	High	Med.	Low	Staples	Durables	Luxuries

Strategic Focus: Low Med. High

# BNPL PLAYER DIFFERENTIATION

In addition to target users and merchants, BNPL players can be differentiated across three dimensions: (1) service model, (2) offering, and (3) funding

## Service Differentiation

Differentiation Dimensions

✓ Applicable   ✗ Not Applicable



	afterpay	pafidy	atome	hoolah	al oku loku	redivo	
<b>SERVICE MODEL</b>	Maximum Limit	USD 1,000	USD 1,000	USD 1,300	USD 1,700	USD 300	USD 210
	Repayment Tenure (months)	2	3	2	2	3-15	1-12
	Repayment Channel	1	3	2	1	3	3
	Credit / Debit Card	✓	✓	✓	✓	✓	✓
	Bank Transfer	✗	✓	✗	✗	✓	✓
	Digital Wallet	✗	✗	✗	✗	✓	✓
	Others	✗	Cash	Apple Pay	✗	✗	✗
	Handling Fee	✗	✗	✗	✗	1%	✗
	Interest Rate	✗	✗	✗	✗	1.5%-40%	< 53.4%
	Default / Late Fee	< 25%	14.6%	USD 13 - 40	USD 5 - 25	< 10%	4%-6%
<b>Offering</b>	Merchant Discount Rate	3%-7%	3.5%	5%	8-12%	1.7%	2.3%
	Merchant Browsing in App	✓	✓	✓	✓	✓	✓
	Purchase in App	✓	✓	✗	✓	✓	✗
	Offline Integration	Google/Apple Pay	PayPal	QR Code	QR Code	QR Code	QR Code
<b>FUNDING</b>	Key Investors <sup>1</sup>						

<sup>1</sup> Investors provide capital for business admin., ops., and expansion; and BNPL companies separately seek capital to fund the extension of consumer credit

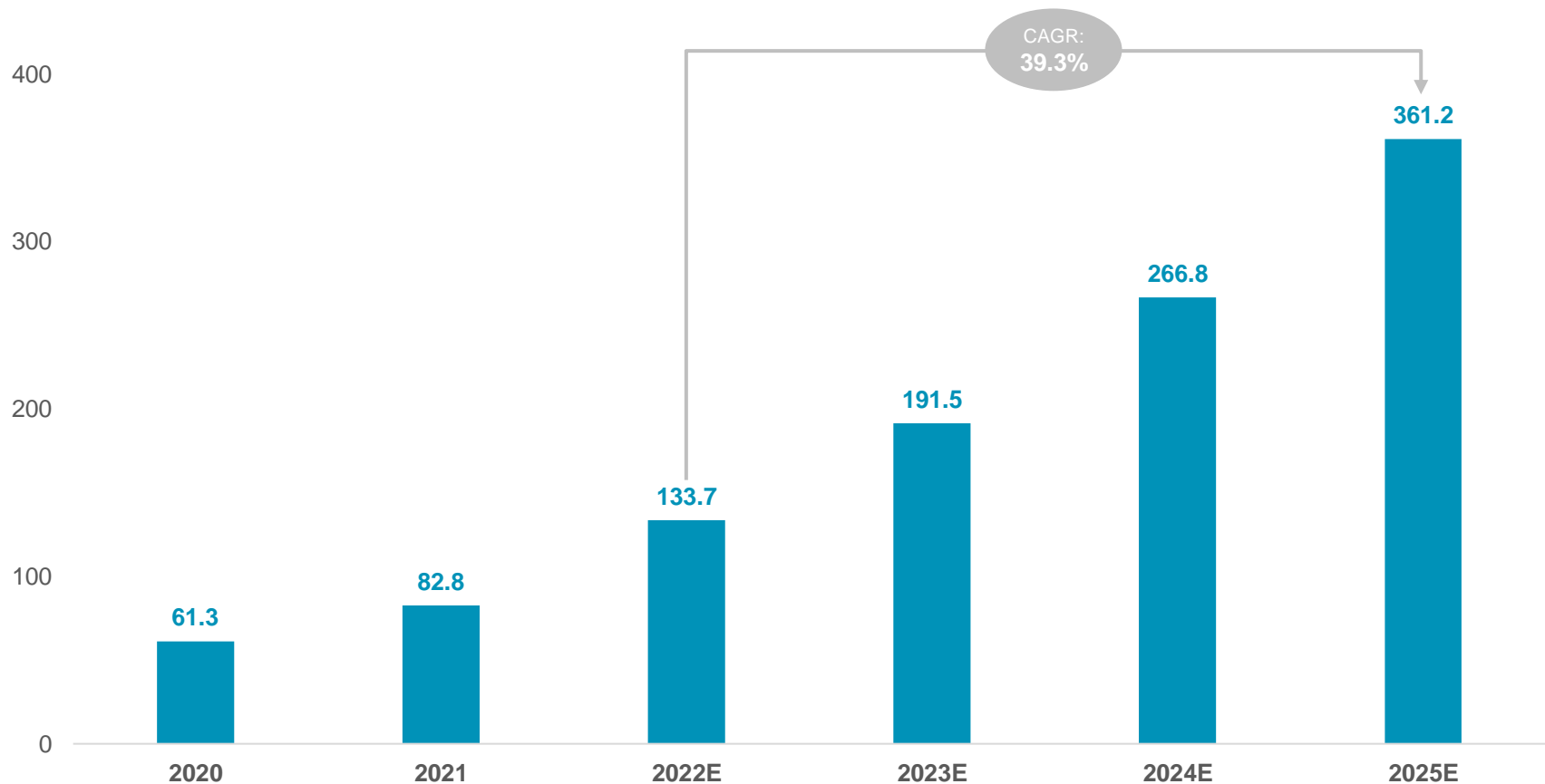
Source: Crunchbase, annual reports, press releases, industry interviews, Quinlan & Associates analysis

## INDUSTRY OUTLOOK

Presenting an attractive channel for credit access, the BNPL industry is expected to grow rapidly, with gross merchandise value forecast to reach USD 361 billion by 2025

### APAC BNPL GMV

2020-26E, USD billion



## SECTION 3

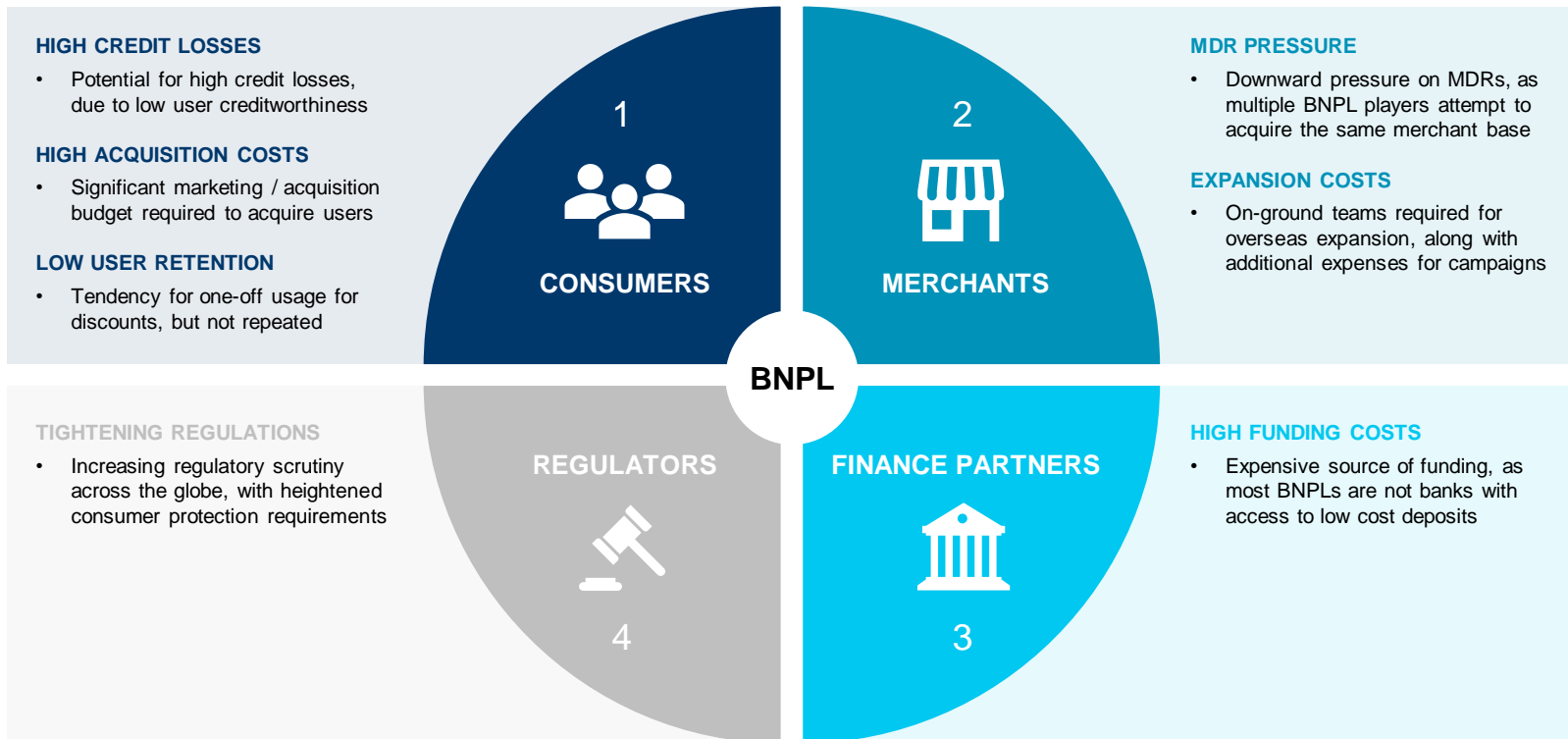
# INDUSTRY CHALLENGES

# INDUSTRY CHALLENGES

Despite strong industry growth, BNPL players are facing challenges on a number of fronts, with pressure being felt across each of their key stakeholder groups

## Industry Challenges

APAC BNPL

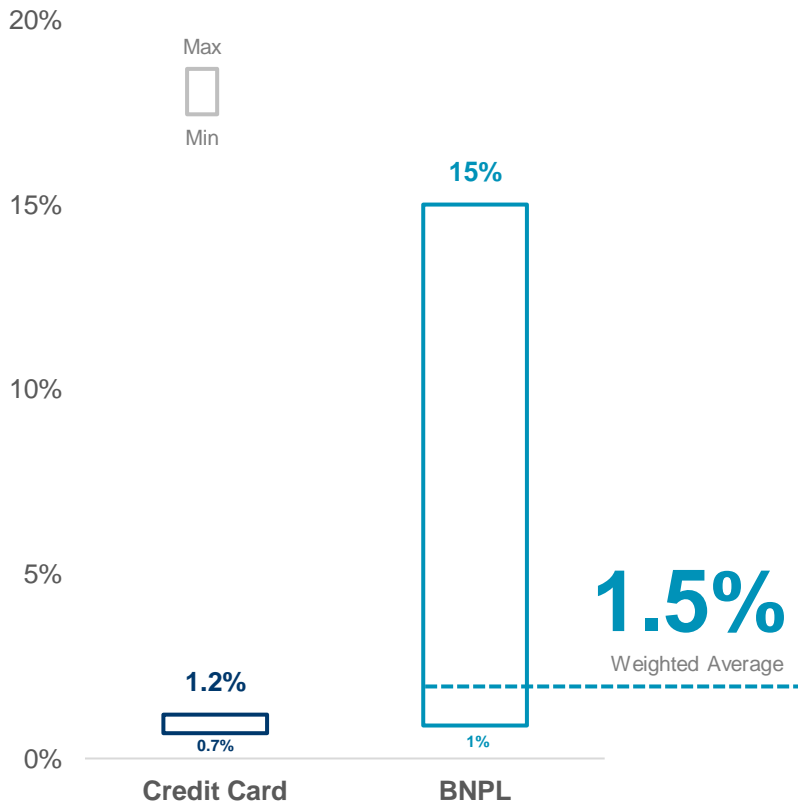


## CREDIT LOSS (1/2) – DELINQUENCY RATES

BNPL offers consumers easier access to financing, which inevitably results in adverse selection, reflecting consumers' generally weaker credit profiles and/or higher credit risks

### Delinquency Rates

APAC Developed Markets



### BNPL Delinquency Drivers



#### Adverse Selection

BNPL firms typically target lower income consumers who are a higher credit risk / have weaker credit profiles



#### KYC / Credit Assessment

BNPL firms conduct basic KYC checks and their credit scoring engines can fail to adequately assess user risk profiles



#### Impulse Purchase

BNPL drives impulse consumption, which may result in purchase amounts higher than the user's ability to repay



#### Delinquency Repercussions

BNPL firms can only freeze accounts, and so there are no further consequences to deter users from defaulting

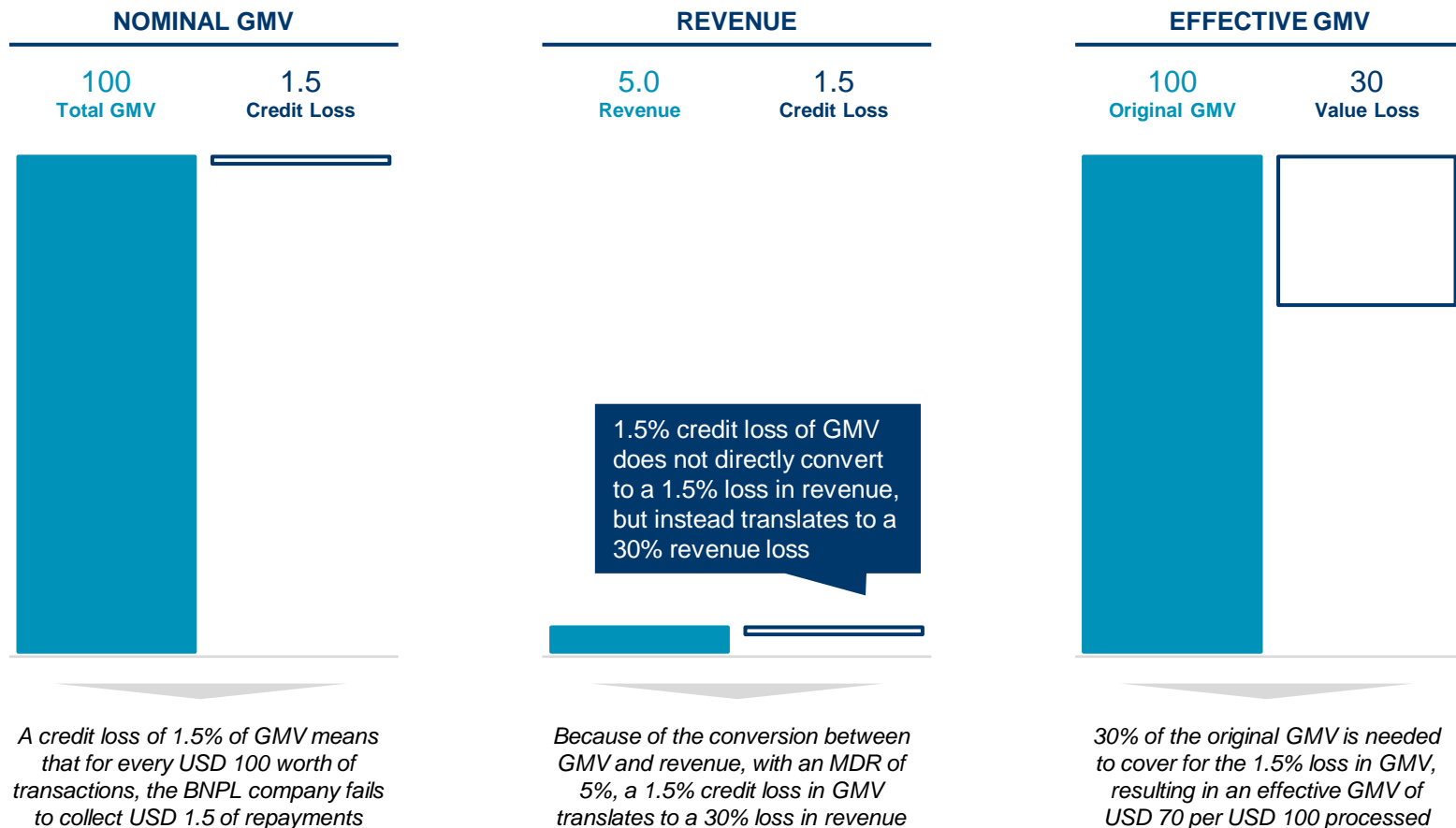
Note that the developed markets in this figure include Australia, South Korea, and Japan  
Source: annual reports, illion, CNBC, Sydney Morning Herald, ASIC, Statista, Quinlan & Associates analysis

## CREDIT LOSS (2/2) – CREDIT LOSS COVERAGE

Delinquency translates to lower repayment, decreasing the amount of capital available; as such, BNPL firms need to process more transactions to cover for the capital lost

### Credit Loss Coverage

Indexed

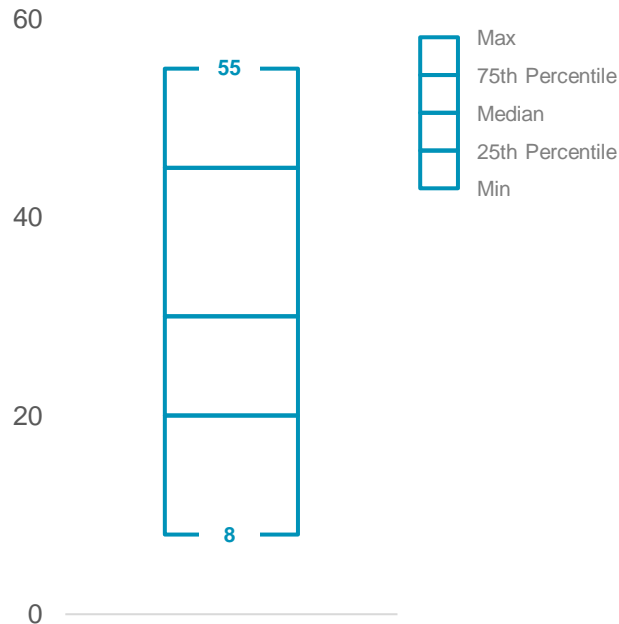


## HIGH USER ACQUISITION COSTS

BNPL companies spend considerable sums on marketing and offer significant discounts to acquire users, driving sizeable losses during early years of scaling

### Acquisition Cost

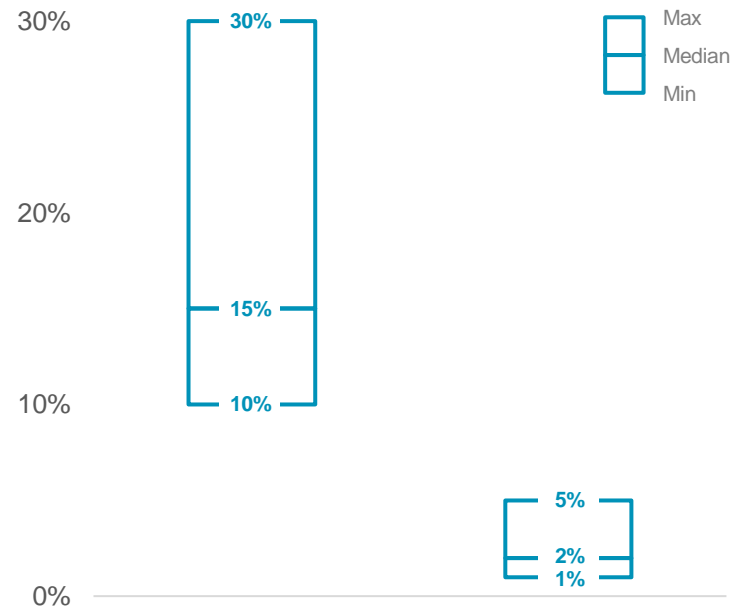
USD per User, Avg. per Quartile



**Acquisition Cost**  
BNPL

### Discount Rate

%, BNPL vs. Credit Card



**Cash Discount**  
BNPL



**Cash Rebate**  
Credit Card

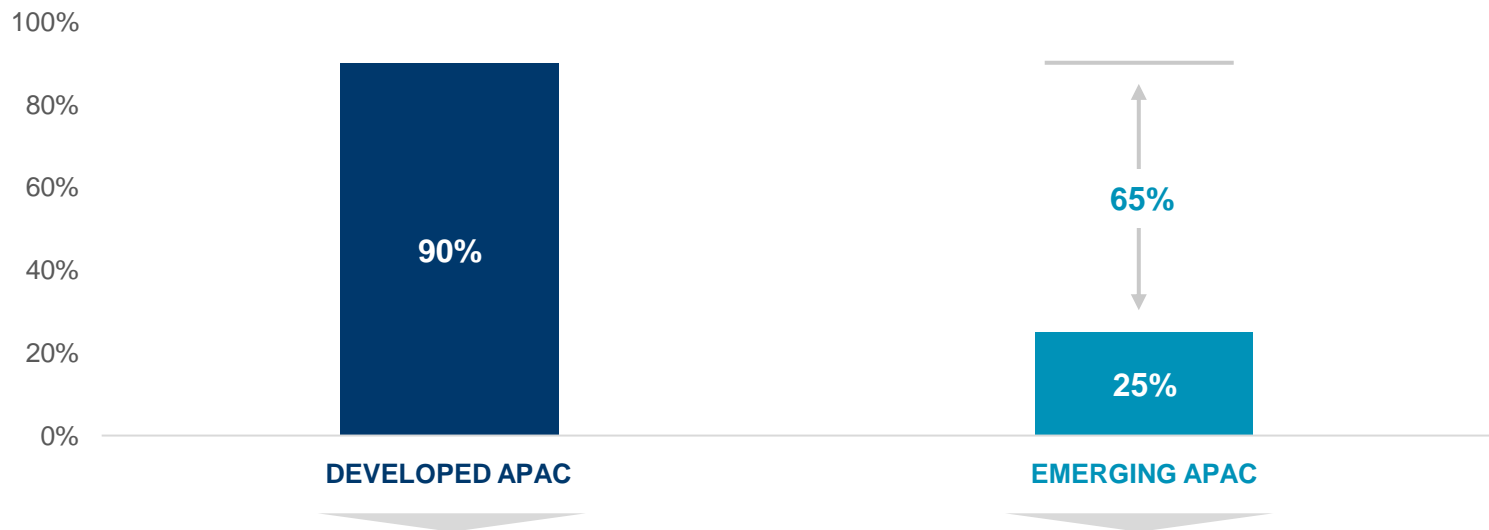


## LOW USER RETENTION

While such incentives help to drive rapid user acquisition, consumer uptake is not translating to meaningful retention rates for many firms, especially in emerging APAC

### GMV from Repeated Users

%



#### BNPL Focus

- Most BNPL companies have an established user base and focus on retaining customers through loyalty programmes and repeat usage-based discounts
- Most BNPL companies are more nascent and compete aggressively to acquire new users, typically through extensive marketing campaigns and first-time discounts

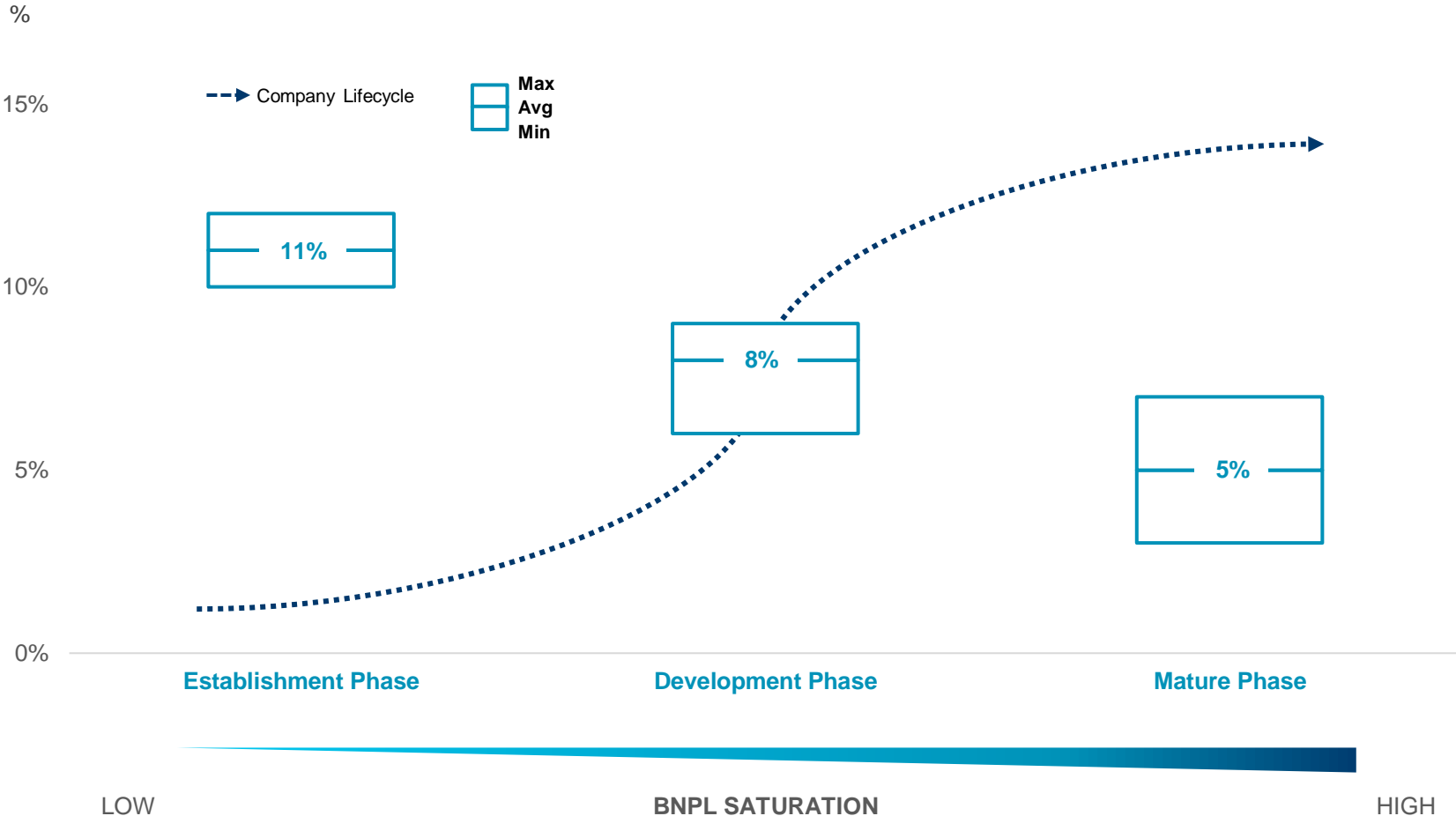
#### User Behaviour

- Customers are aware of the BNPL offering and many have experience using it. As such, they are more willing to use the BNPL solutions on a recurring basis
- Most customers are new to BNPL and use the service only for the initial discounts, reverting to traditional credit channels if no loyalty rewards are offered

## MDR PRESSURE

As a growing number of providers have entered the industry, we have seen ongoing merchant discount rate (“MDR”) compression across the region

### Merchant Discount Rate

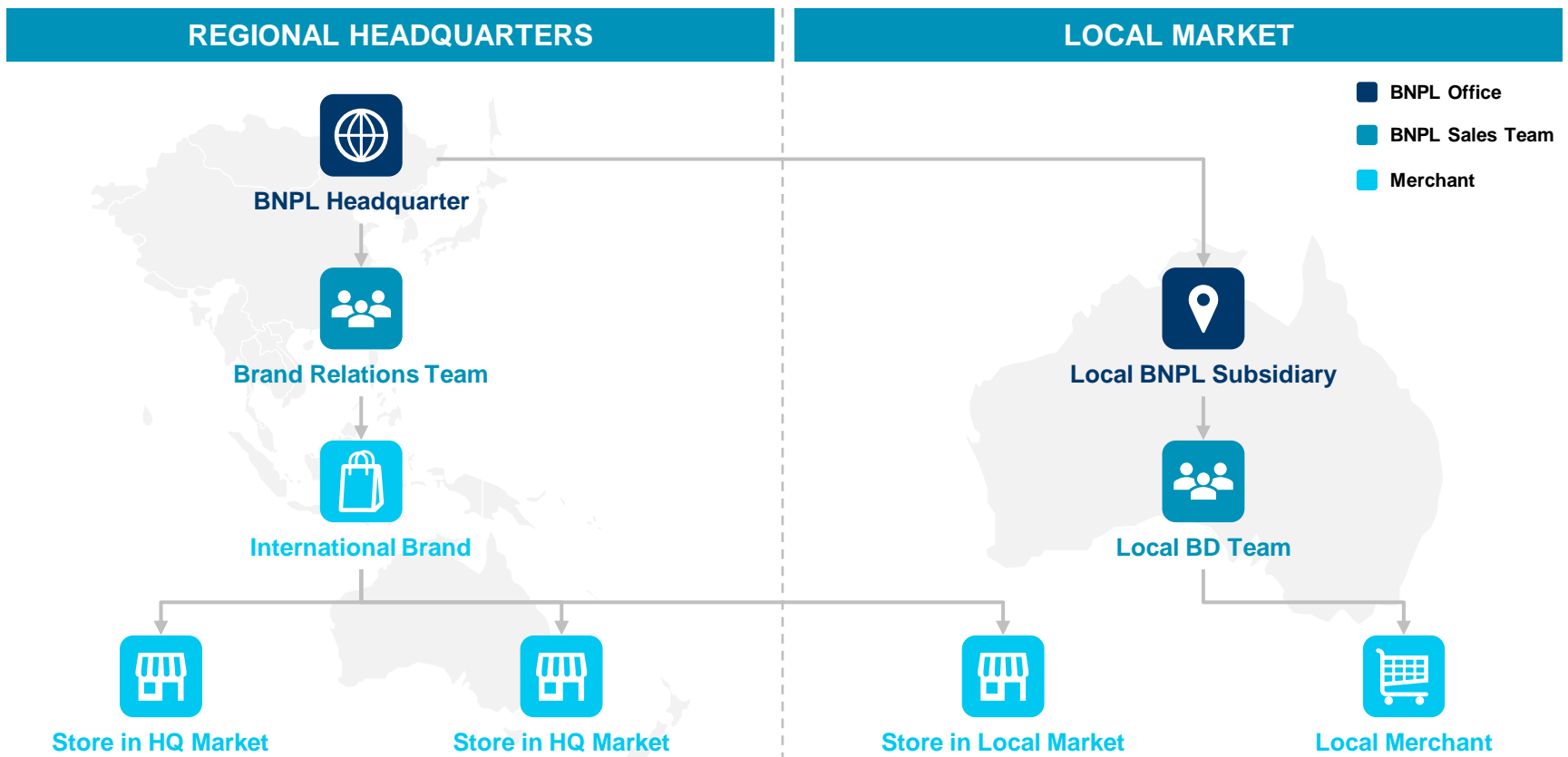


## HIGH MERCHANT ACQUISITION COSTS

BNPL firms have invested considerable sums building in-house business development and sales teams to support merchant acquisition, which is extremely expensive

### Team Set-Up

Merchant Acquisition



## FUNDING COSTS

BNPL companies need capital to finance credit extension, incurring financing costs and exposing many players on-balance sheet credit risks, which is a key drag on valuation

### Credit Extension Funding

Funding Nature

FUNDING NATURE		FUNDING SOURCE				CREDIT RISK		PORTION
		Alternatives (PE / VC)	Financial Institutions	Private Investors	Mass Retail	On Bal. Sheet	Off Bal. Sheet	
<b>Debt Financing</b>	Investors loan money to BNPL firms, with a specified maturity and fixed interest rate (lower than the MDR charged), to be used for credit extension to end customers	✓	✓	✓		✓		■■■■■
<b>Equity Financing</b>	Investors invest in BNPL companies, with an understanding that the capital will be used directly for credit extension to end customers	✓		✓		✓		■□□□□
<b>Investment Product</b>	BNPL companies receive funding through structured products or credit platforms, with customisable terms depending on investor risk appetite and return expectations	✓		✓	✓	✓	✓	■■■■□
<b>Bank Deposits</b>	BNPL companies can establish retail banks or retail banks can offer BNPL services, using consumer deposits as a low cost source of funding to extend credit				✓	✓		■□□□□
<b>Partner Distribution</b>	BNPL companies act as a distribution channel for players already operating in the consumer credit industry to access additional customers (i.e. BNPL users)		✓				✓	■■□□□











✓ Applicable
 Low ■■■□□ High

## REGULATIONS ON BNPL

While regional regulators have been slower to respond to BNPL, we anticipate regulatory requirements across APAC to catch up to Western markets in coming years

### Regulations

#### BNPL

	MARKET	REG STANCE	DESCRIPTION
APAC MARKETS	 Malaysia	□ □ □ □ □	▶ • BNPL is not regulated by Bank Negara Malaysia ("BNM"), as it falls under a factoring agreement instead of lending
	 Vietnam	□ □ □ □ □	▶ • No regulatory requirements on BNPL service providers with respect to their offerings and data privacy
	 Indonesia	■ □ □ □ □	▶ • No specific laws for the industry, but BNPL companies need to comply with certain requirements for credit services
	 Japan	■ □ □ □ □	▶ • Stated an awareness of the industry but yet to draft any laws, given regulator is unsure if BNPL will continue to develop in the market
	 Singapore	■ ■ □ □ □	▶ • Increasing concerns with regards to consumers falling under unseen debt, and therefore exploring stricter regulatory requirements
	 Philippines	■ ■ ■ □ □	▶ • Comprehensive laws and regulations on credit services, with established licensing requirements and regulatory expectations
	 Australia	■ ■ ■ ■ □	▶ • Upcoming reform on payments regulation to include the imposition of more stringent supervision on BNPL providers and the industry
WESTERN MARKETS	 Germany	■ ■ ■ □ □	▶ • Proposal of a new directive on consumer credits by the European Commission, to replace the current Consumer Credit Directive
	 US	■ ■ ■ ■ ■	▶ • Stringent requirements with past cases of licence rejections and fines, along with data requests for further industry evaluation
	 U.K.	■ ■ ■ ■ ■	▶ • U.K. Treasury believes BNPL should no longer be exempted from consumer credit regime, and suggested further regulatory oversight

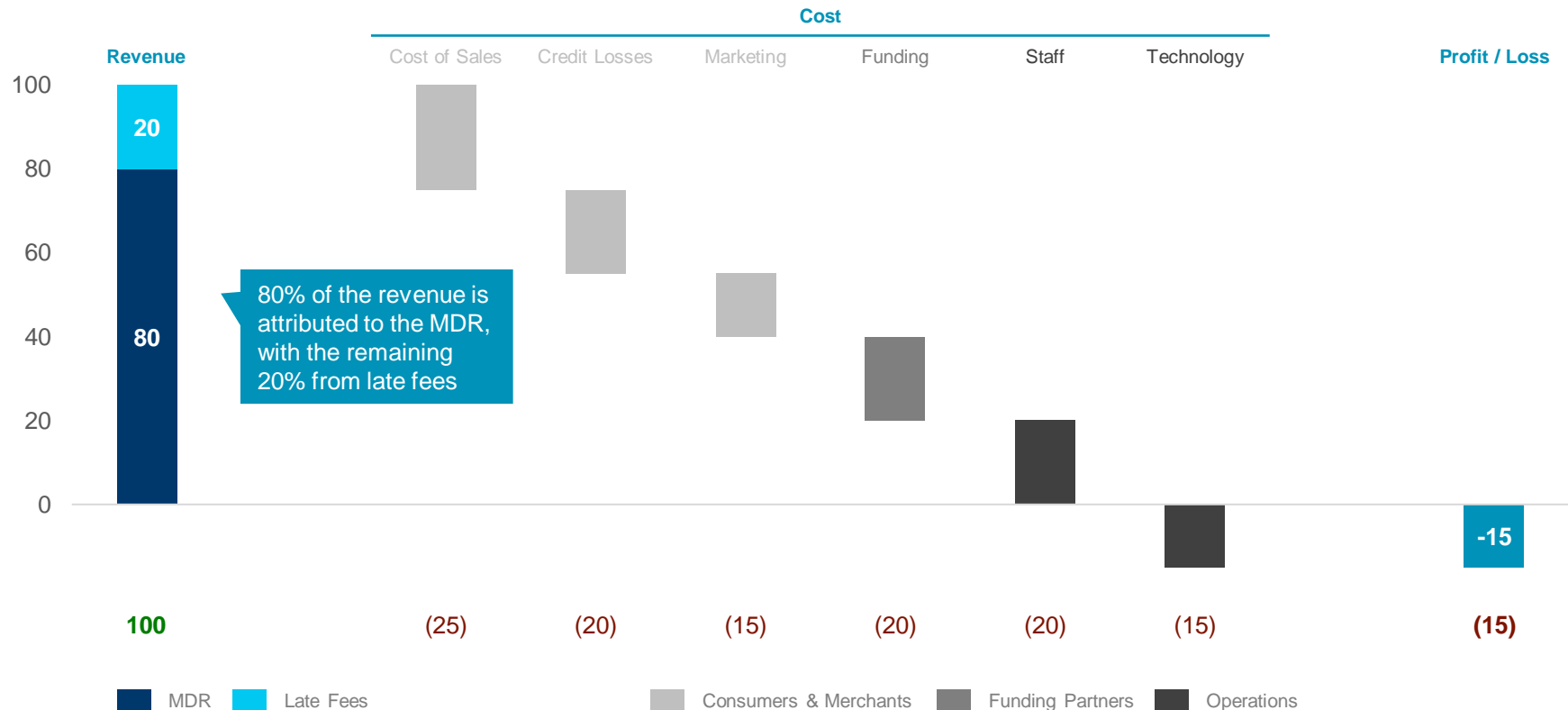
Regulatory Scrutiny: Low □ □ □ □ □ High

## FINANCIAL PERFORMANCE (1/2) – DEVELOPED MARKET PLAYERS

Suffering from pressure on multiple fronts, BNPL firms in the region are struggling to turn a profit, with developed market players suffer from a -15% (negative) profit margin...

### Financial Performance

Developed Market Players, Indexed (to Revenue)

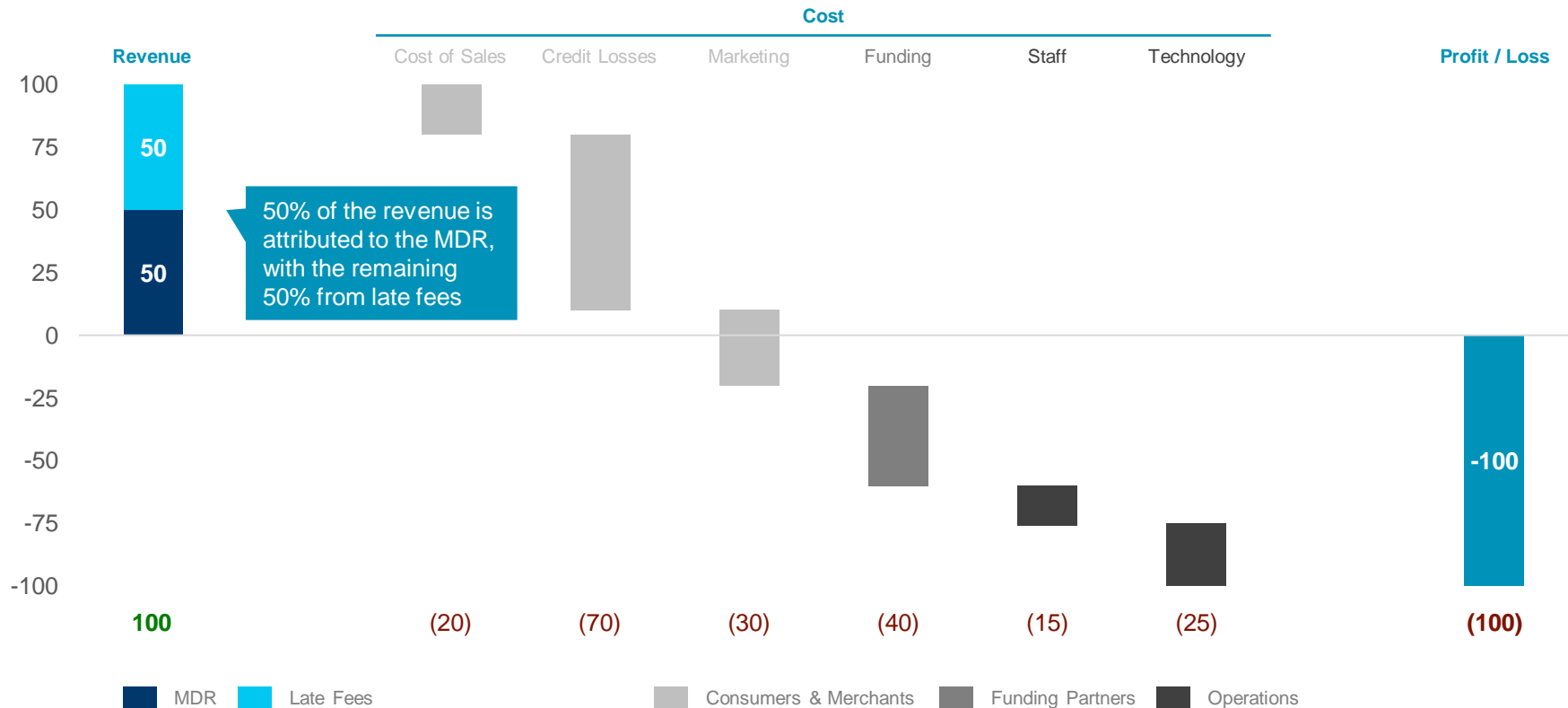


# FINANCIAL PERFORMANCE (2/2) – EMERGING MARKET SPECIALISTS

...with many emerging market specialists suffering from negative profit margins of 100%+

## Financial Performance

Emerging Market Specialists, Indexed (to Revenue)

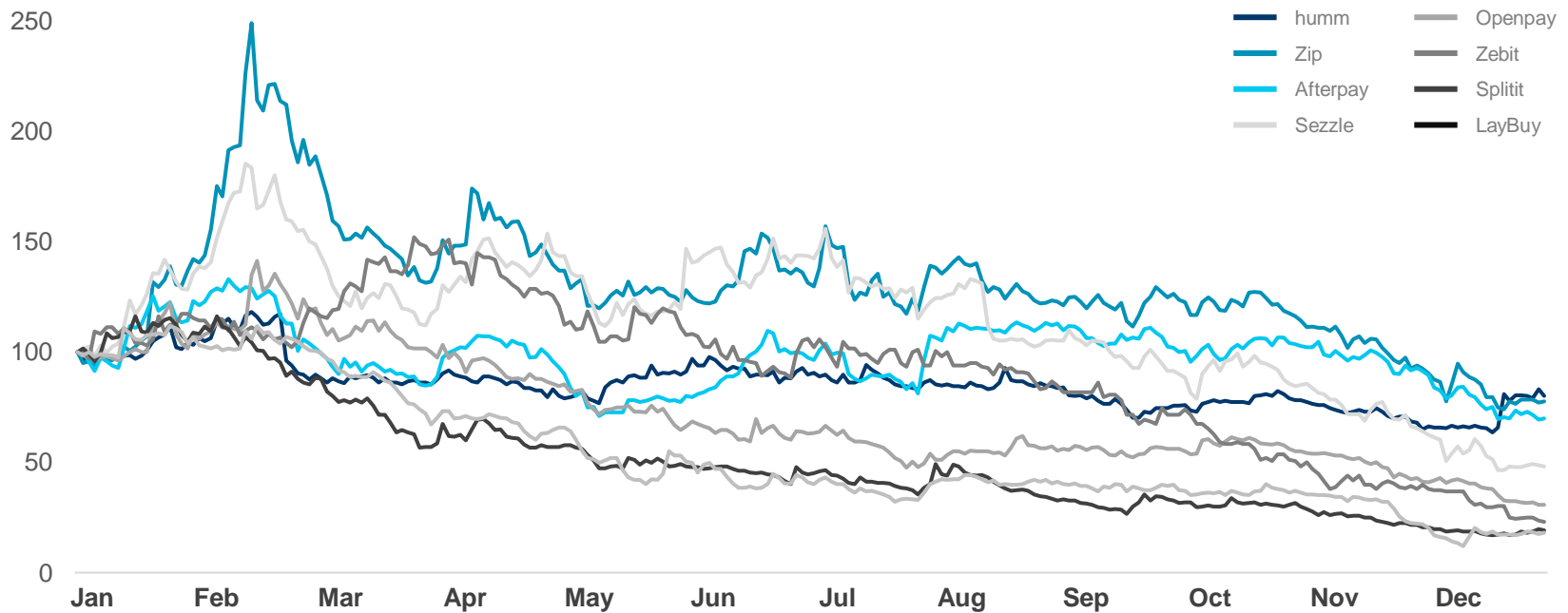


## STOCK PRICE PERFORMANCE

Recognising the challenges of operating an unsustainable commercialisation model, BNPL valuations tanked across the board in 2021

### Stock Price Performance

2021, Indexed



**-20.0%**  
humm

**-22.5%**  
Zip

**-30.2%**  
Afterpay

**-51.8%**  
Sezzle

**-69.4%**  
Openpay

**-77.0%**  
Zebit

**-80.0%**  
Splitit

**-82.1%**  
LayBuy



# SECTION 4

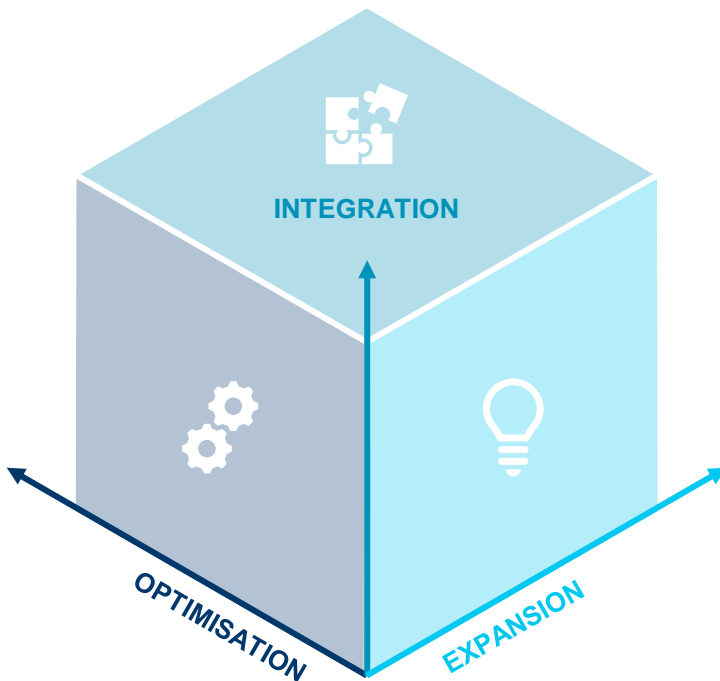
## SOLVING FOR PROFITABILITY

# SOLVING FOR PROFITABILITY

Given the challenges being faced around profitability and valuations, a fundamental rethink of existing BNPL business models is needed

## Solving for Profitability

Three Channels



1

### OPTIMISATION

Optimise operations across the entire user value chain and source alternative, low-cost funding channels

2

### INTEGRATION

Vertically integrate, including exploring inorganic expansion options, to develop an end-to-end consumer ecosystem

3

### EXPANSION

Leverage existing offerings to diversify product suite, customer focus, and / or core business model

## Section 4.1 | Optimisation

## OPERATIONS OPTIMISATION

We see a number of areas for optimisation across the end-to-end user journey (i.e. from customer targeting to user retention), as well as in the BNPL firm's funding sources

### Operations Optimisation

User Journey & Funding Source



#### USER TARGETING

##### Industry Positioning

- Focus on capturing higher-income / lower risk users
- Move up the merchant curve (from consumer staples to big ticket durables / luxuries)



#### USER ACQUISITION

##### Marketing Efficiency

- Adapt marketing campaigns (i.e. messages and channels) to optimise acquisition efforts
- Accelerate user acquisition through partner merchants via relevant tools and incentives



#### USER EVALUATION

##### Credit Assessment

- Leverage additional data sets and re-evaluate risk engines to better assess the true creditworthiness of users and reduce NPLs



#### USER RETENTION

##### Ongoing Engagement

- Create recurring points of contact, such as regular content, to maintain user interest / engagement and drive higher app usage



#### FUNDING SOURCES

##### Funding Models

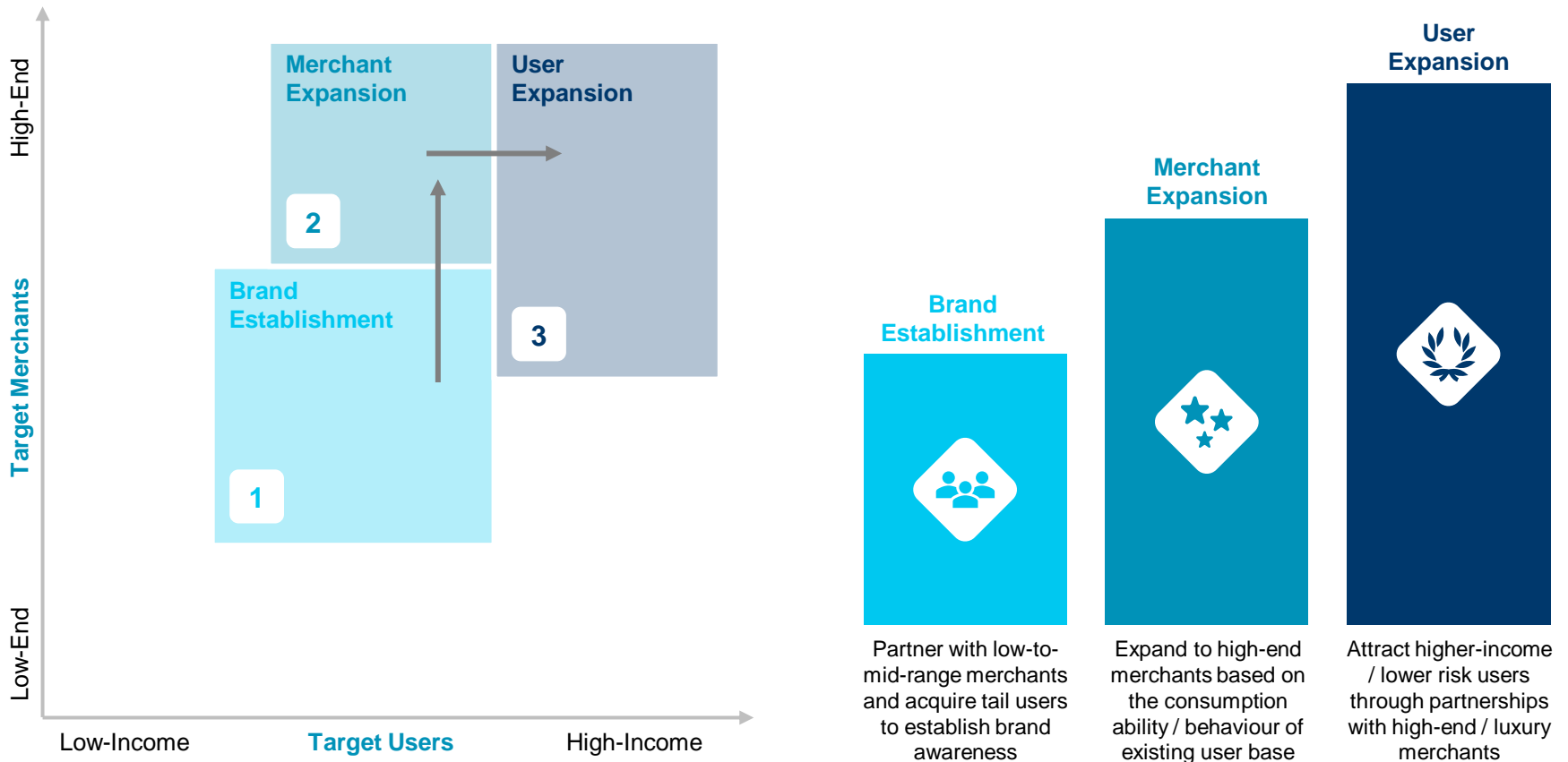
- Review existing funding channels and sources, and look to establish new partnerships with strategic funding partners to (1) minimise ongoing funding costs and (2) move credit risk off-balance sheet

## USER TARGETING (1/2) – MERCHANT POSITIONING PIVOT

A merchant positioning pivot can enable BNPL firms to drive top-line revenue potential (from greater transaction values) at lower risk (given the focus on higher-income users)

### Merchant Positioning

Evolution

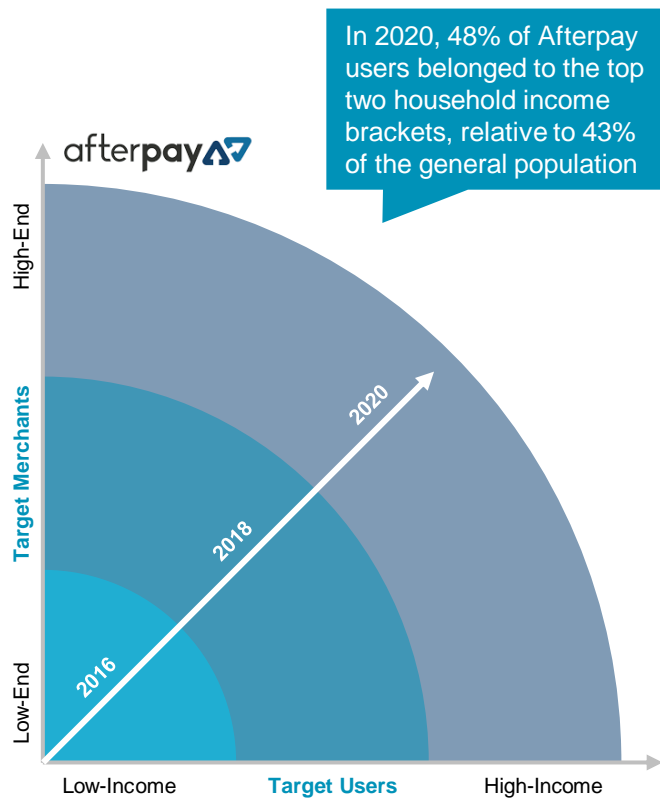


## USER TARGETING (2/2) – CASE STUDY

Afterpay is a prime example is a BNPL firm that was able to shift its merchant partner strategy over time, moving from discount retailers to higher end luxury brands

### Afterpay

Positioning Pivot



### TOP 5 PARTNER MERCHANTS

	2016	2018	2020
	Discount Retail	Mid-Market Retail	Luxury Retail
1		DAVID JONES	JIMMY CHOO
2		URBAN OUTFITTERS	MICHAEL KORS
3	JEANSWEST		GIORGIO ARMANI
4			YVES SAINT LAURENT
5			MARC JACOBS

The top partner merchants of Afterpay gradually shifted from low-end retailers to high-end, luxury brands

## USER ACQUISITION (1/2) – MARKETING

While BNPL is primarily a digital offering, consumption in Asia remains heavily offline-focused, necessitating the need to leverage both online and offline marketing channels

### User Acquisition

Marketing

#### ONLINE CHANNELS



##### Social Media Advertisements

- Leverage social media platforms to connect with customers, build brand awareness, drive customer conversion, and increase sales
- Example:** Facebook, Instagram, LinkedIn



##### Paid Search Advertisements

- Place advertisement on online platforms by paying space-owners, who display ads based on users' previous search interests
- Example:** Google / YouTube / Appstore Ads

#### OFFLINE CHANNELS



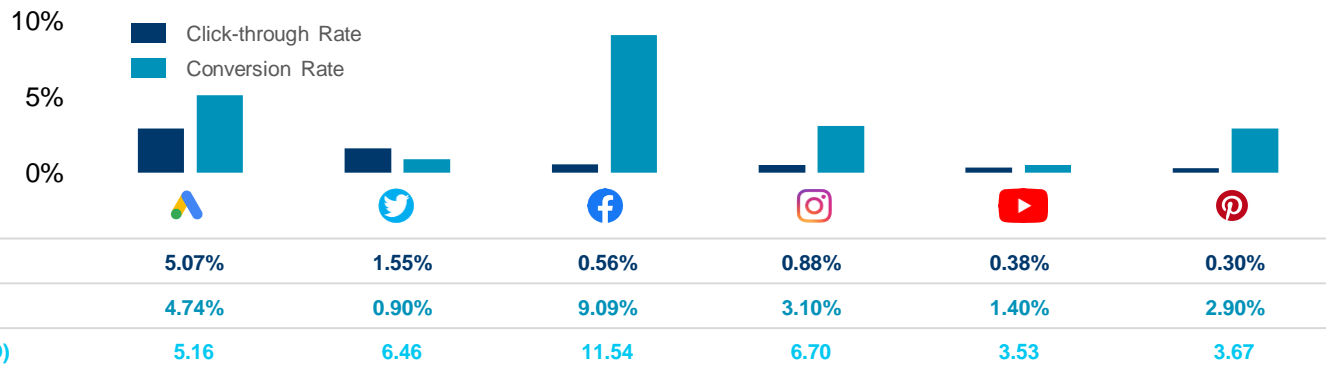
##### Physical Advertisements

- Display advertisements on physical space, across billboards, banners, newspapers, at locations with high foot traffic / visibility
- Example:** underground, train, magazine



##### Electronic Media Advertisements

- Promote through electronic media channels, either via sponsoring programmes or purchasing advertising time
- Example:** television, radio

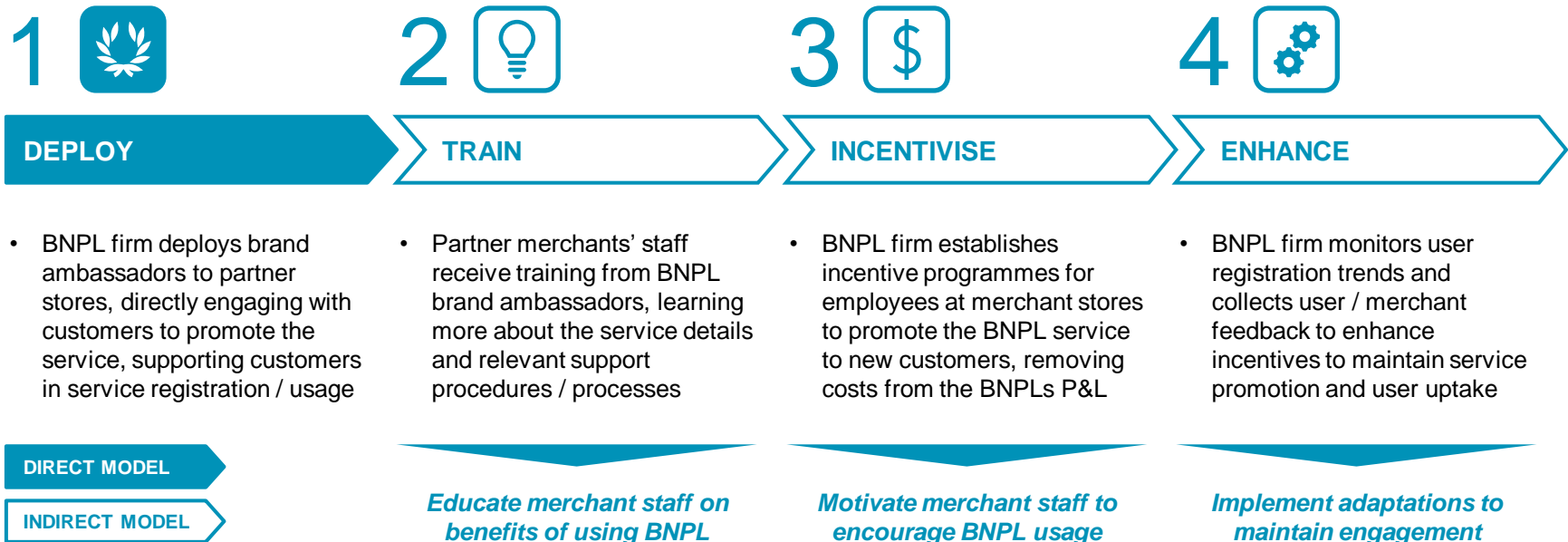


## USER ACQUISITION (2/2) – CONVERSION

BNPL can consider more scalable ways to drive customer acquisition, including moving from a direct brand ambassador model to enabling merchant employees

### User Acquisition

#### Conversion



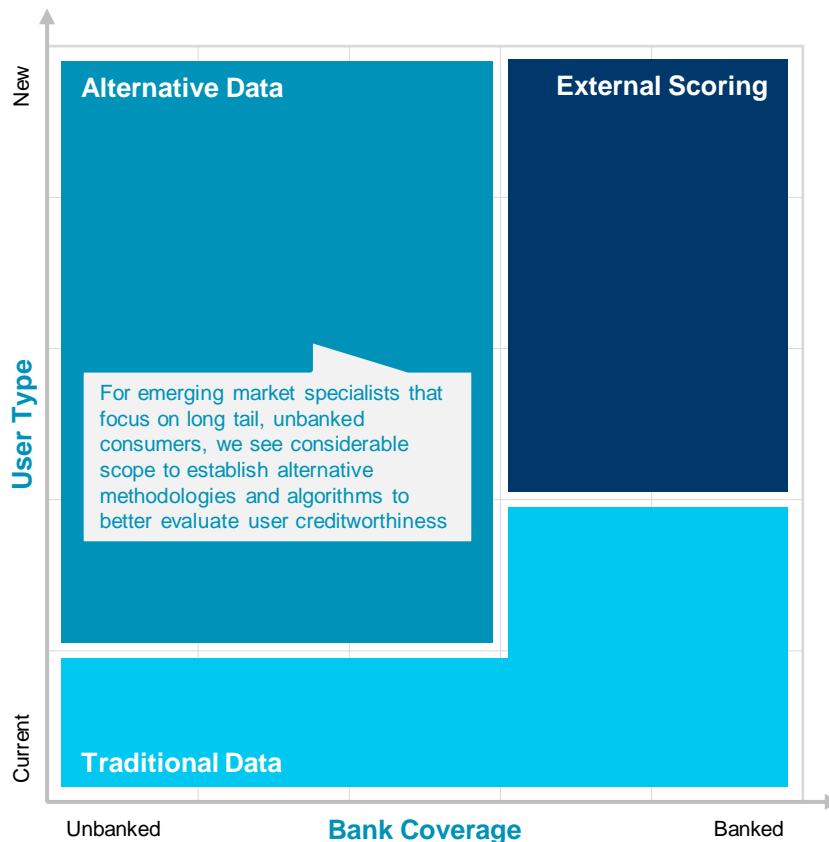


# USER EVALUATION

Effectively refining the credit assessment process will enable BNPL providers to operate at risk levels that are more consistent with their tolerance / appetite, reducing NPLs

## User Evaluation

Creditworthiness



# 1

### External Scoring

BNPL providers, especially bank-backed ones, leverage information from external scoring institutions, such as credit bureaus

# 2

### Alternative Data

Most emerging market-focused BNPL companies leverage alternative data to evaluate users without exiting credit scores

# 3

### Traditional Data

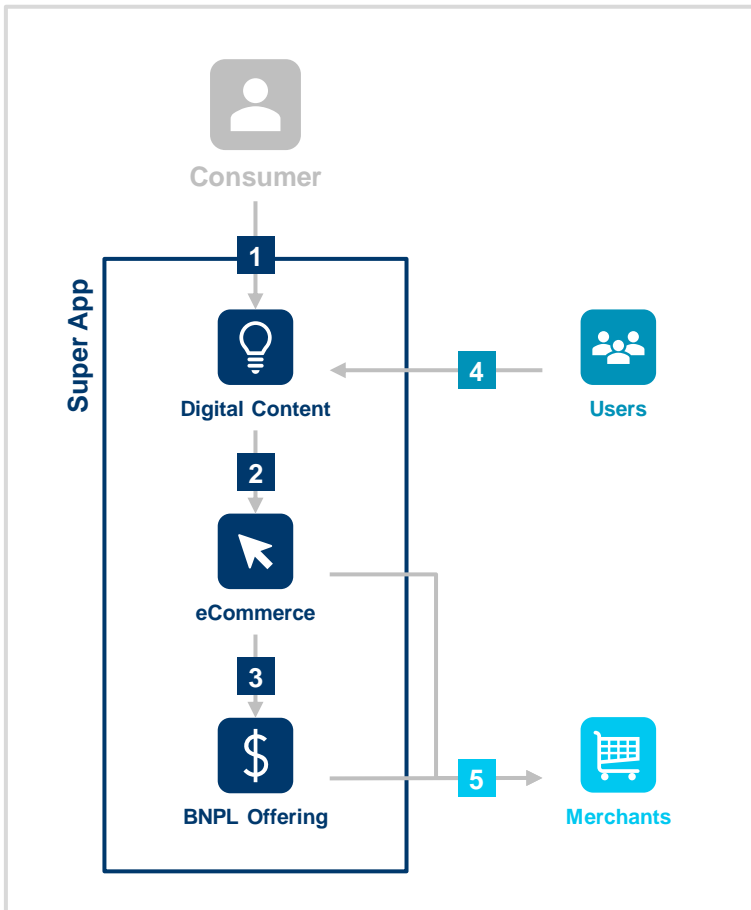
For recurring users, BNPL players can collect data on spending and repayment behaviours for ongoing monitoring

# USER RETENTION

To drive user retention, BNPL firms can consider the development of a “super app”, either from organically or via partnerships / acquisitions

## User Engagement

Super App



## SUPER APP

1

### ENGAGE

Regular, updated content to encourage consumers to access the application on a recurring basis

2

### BROWSE

Content engagement leads consumers to browse related products / services, driving additional consumption

3

### PAY

BNPL is integrated and offered as an option at check-out, minimising friction to drive consumer adoption

## USERS

4

### CREATE

Users are encouraged to create content, either via a social media model or incentives for consumption

## MERCHANTS

5

### PARTNER

Merchants list products on the eCommerce platform and receive payment through the BNPL offering

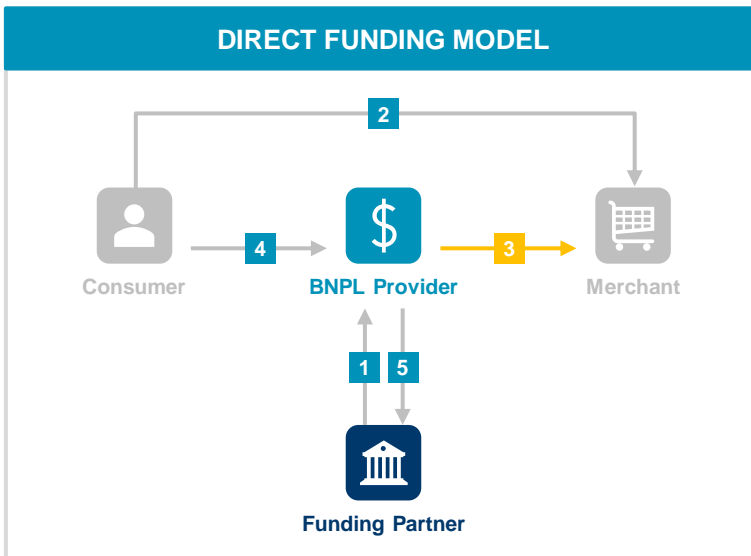
## FUNDING SOURCES

Most BNPL firms currently bear credit risk, driving up funding costs due to NPL exposure; we see considerable scope to explore alternative funding models via partnerships

### Funding Model

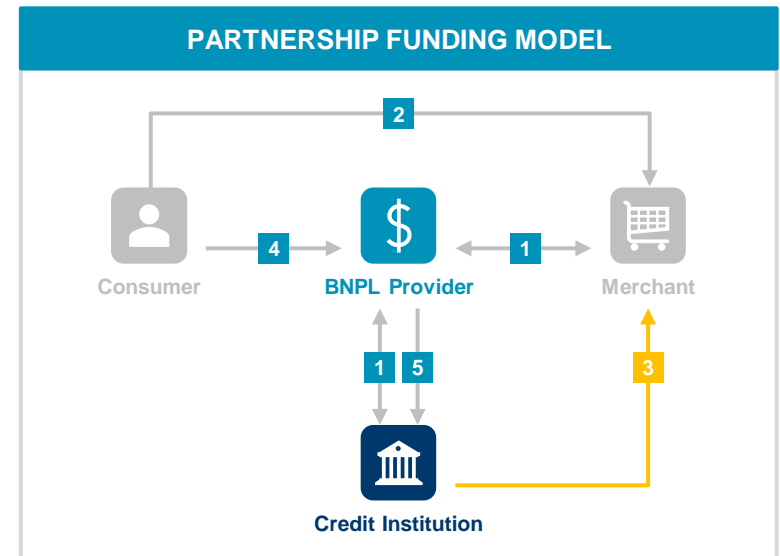
Direct vs. Indirect

→ Credit Extension



- 1** BNPL Provider raises capital from Funding Partner (through equity / debt financing) or from retail population (through deposits)
- 2** Consumer browses for goods at Merchant's store or website, and chooses to pay through BNPL
- 3** BNPL Provider pays Merchant the purchase amount with the MDR deducted, bearing credit risk on own balance sheet
- 4** Consumer pays BNPL Provider through instalments, based on pre-determined BNPL terms
- 5** BNPL Provider repays capital plus returns (dividends or interests) to Funding Partner

Source: Quinlan & Associates analysis



- 1** BNPL Provider establishes partnerships with Credit Institution and Merchant, and determine partnership terms
- 2** Consumer browses for goods at Merchant's store or website, and chooses to pay through BNPL
- 3** Credit Institution pays the Merchant the purchase amount with the MDR deducted, either directly or through BNPL provider
- 4** Consumer pays BNPL Provider through instalments, based on pre-determined BNPL terms
- 5** BNPL Provider transfers amount paid by Consumer to Credit Institution, with handling fee deducted

## Section 4.2 | Integration

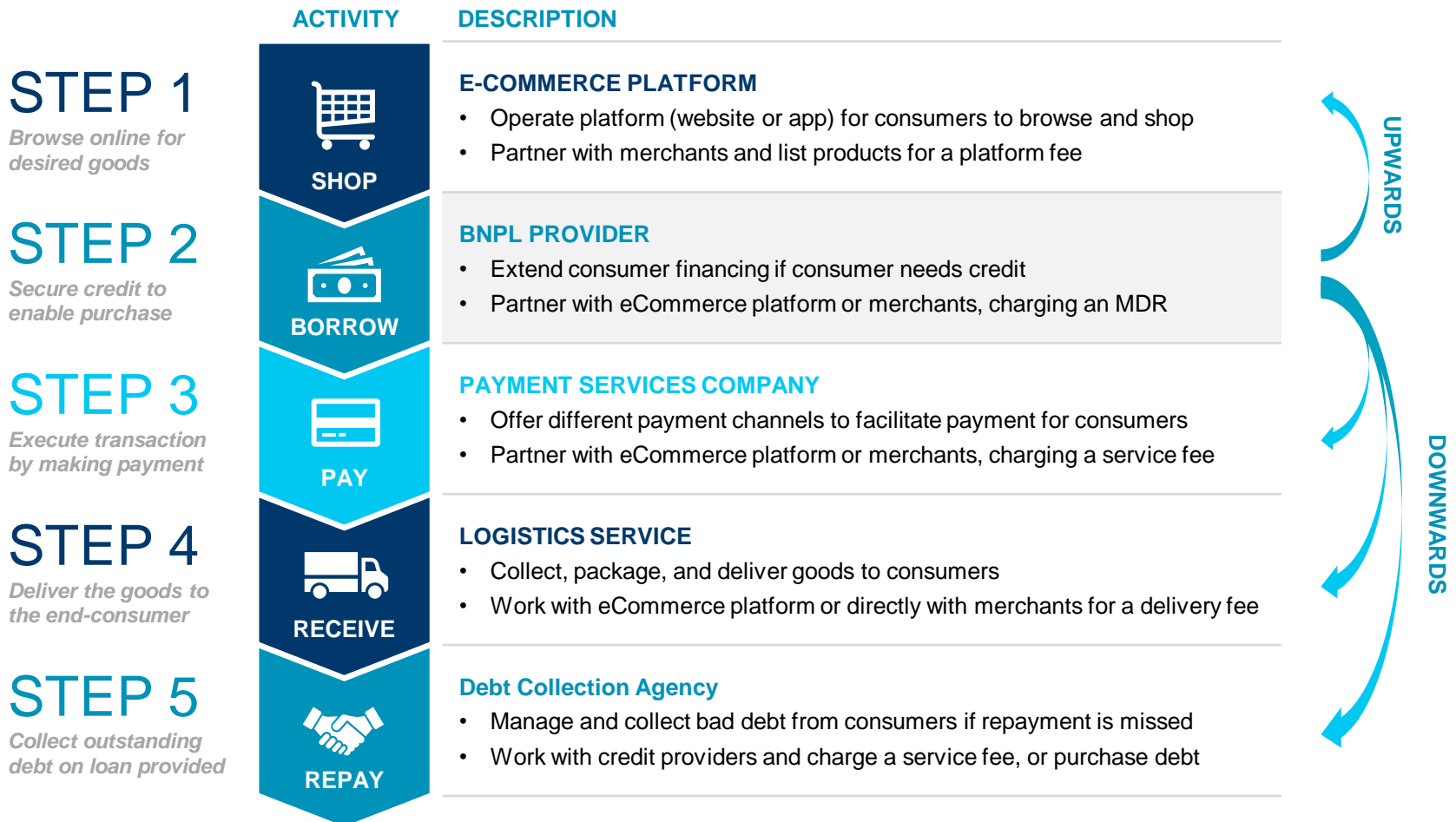
# VERTICAL INTEGRATION

BNPL companies can consider vertically integrating along the consumer value chain by leveraging some of their relevant capabilities

## Vertical Integration

Online Consumption Value Chain

 eCommerce  Credit Extension  Payments



Source: Quinlan & Associates analysis

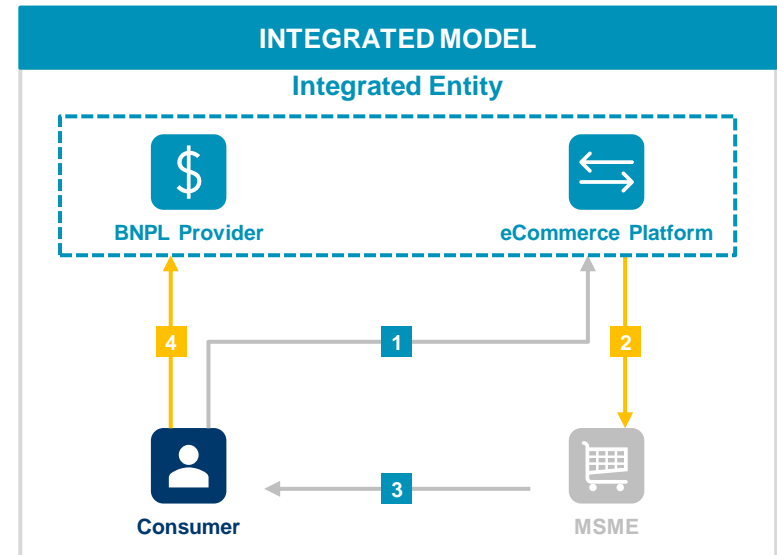
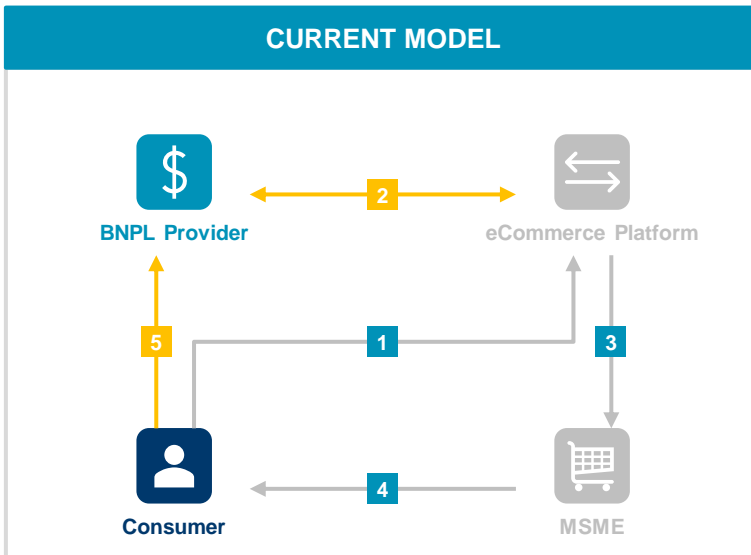
## ECOMMERCE (1/2) – OVERVIEW

By acquiring or establishing their own eCommerce platform, BNPL companies can directly partner with retail merchants, increasing revenue through capturing a platform fee

### eCommerce

#### Integration

→ Monetisation



- 1 Consumer browses and purchases MSME products listed on the eCommerce platform, and chooses to pay through BNPL
- 2 BNPL provider receives the credit application, which is typically automatically approved, and transfers the relevant sum
- 3 eCommerce platform transfers money, with fee deducted, to the MSME merchant
- 4 MSME confirms receipt of payment, and subsequently delivers product to the consumer (independently or via fulfilment service)
- 5 Consumer repays BNPL provider over time, based on the pre-determined repayment terms

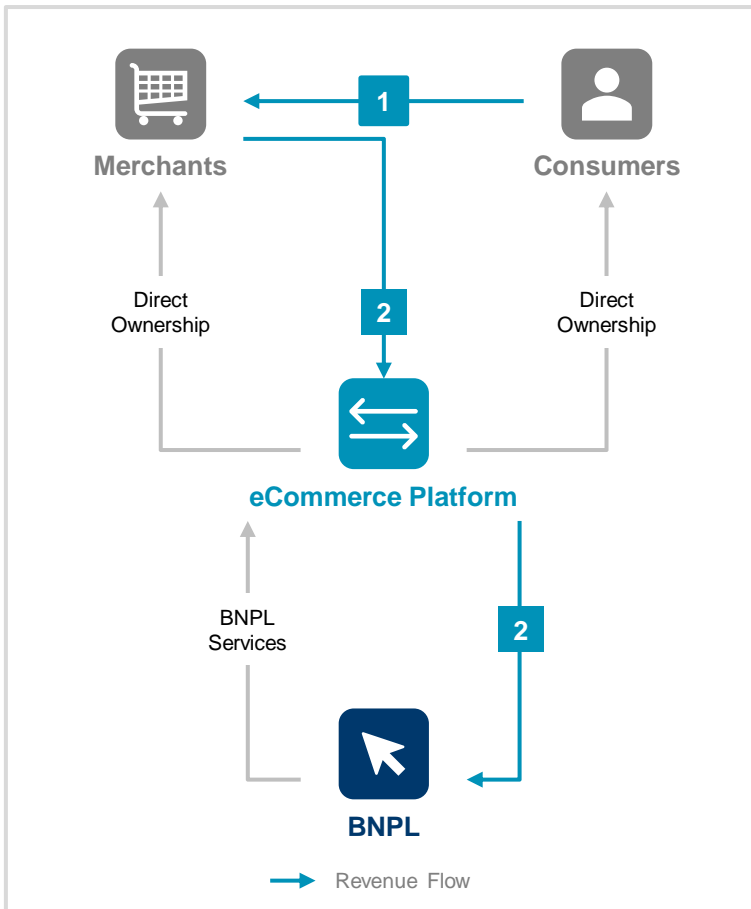
- 1 Consumer browses and purchases MSME products listed on the eCommerce platform, and chooses to pay through BNPL
- 2 Integrated entity transfers the purchase amount, with platform fee and MDR deducted, to MSME
- 3 MSME confirms receipt of payment, and subsequently delivers product to the consumer (independently or via fulfilment service)
- 4 Consumer repays BNPL provider over time, based on the pre-determined repayment terms

## ECOMMERCE (2/2) – CUSTOMER OWNERSHIP

We believe it is important for BNPL providers to work out how to “get closer to their end customers,” providing them with greater pricing power

### Direct Customer Ownership

eCommerce Platform



# 1

#### Retail Sale

Merchants rely on the eCommerce platform to sell goods, receiving revenue in the form of retail sales

# 2

#### Commission / Platform Fee

In exchange for facilitating the sale, the eCommerce platform takes a sizeable platform fee

# 3

#### Service Fee / Subscription Fee

eCommerce platform pays service / subscription fee to receive non-core, BNPL services

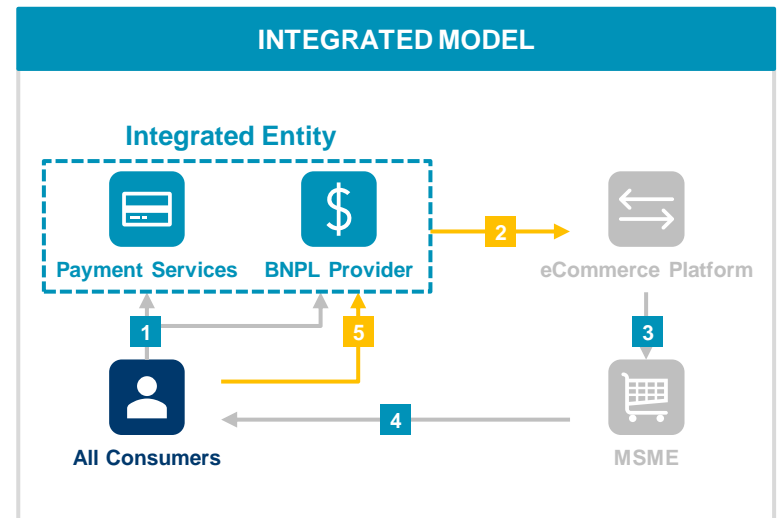
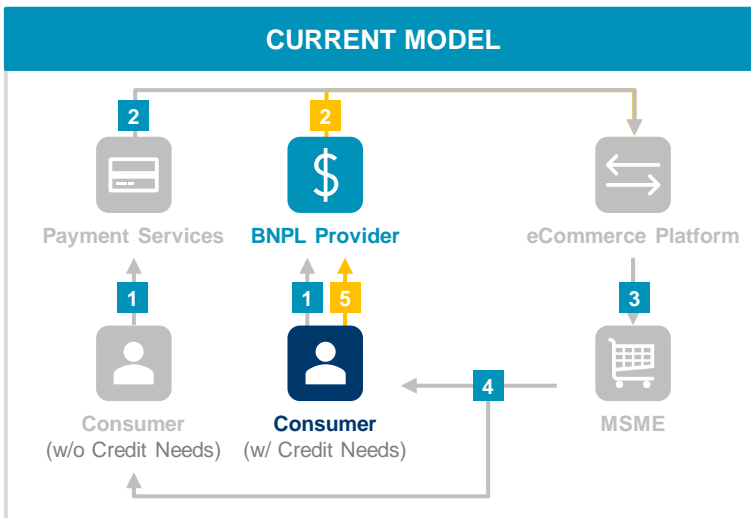
# PAYMENTS

Integration with different payment services enables BNPL companies to be part of the – or remove – substitutes, driving consumer flow

## Payments Services

Integration

→ Monetisation



- 1 Consumer chooses to pay through payment services or BNPL provider, depending on their need for credit
- 2 Payment services / BNPL provider receives payment instruction and transfers relevant sum to eCommerce platform
- 3 eCommerce platform transfers money, with fee deducted, to the MSME merchant
- 4 MSME confirms receipt of payment, and subsequently delivers product to the consumer (independently or via fulfilment service)
- 5 Consumer repays BNPL provider over time, based on the pre-determined repayment terms

- 1 Consumer chooses to pay through the integrated entity, regardless of their need for credit
- 2 Integrated entity receives payment instruction and transfers relevant sum to eCommerce platform
- 3 eCommerce platform transfers money, with fee deducted, to the MSME merchant
- 4 MSME confirms receipt of payment, and subsequently delivers product to the consumer (independently or via fulfilment service)
- 5 Consumer repays integrated entity for BNPL credit extended over time, based on the pre-determined repayment terms

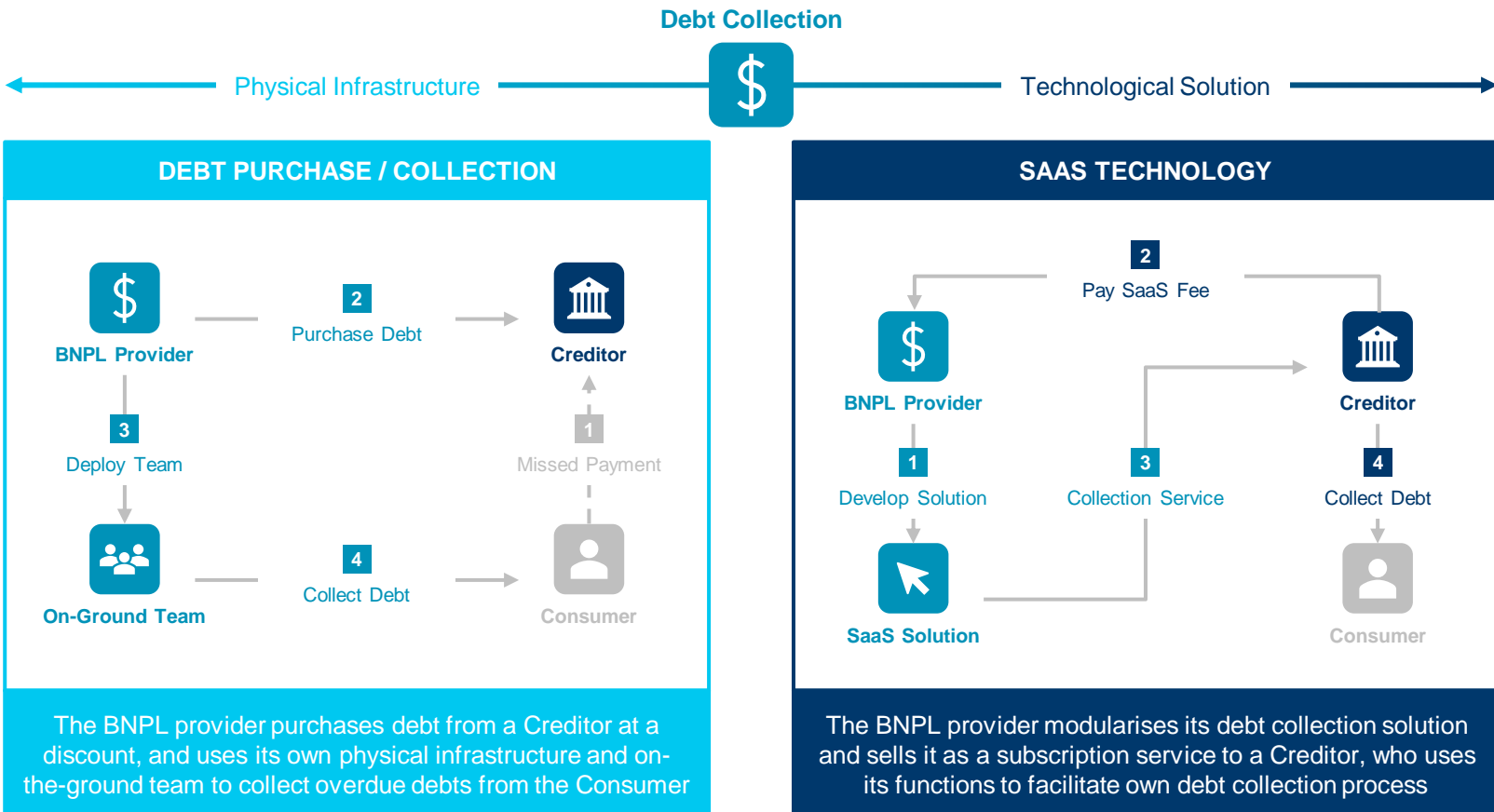


# CREDIT & DEBT COLLECTION

Some BNPL firms have invested heavily in debt collection, including physical infrastructure and / or technological solutions, which can also be further leveraged

## Debt Collection

Integration








## Section 4.3 | Expansion

## PRODUCT EXTENSION

Leveraging their experience in the consumer credit space, BNPL firms can explore other credit products, based on the needs of their users (note: new licenses may be required)

### Product Extension

#### Credit Products

	BNPL	Instalment Loan	Payday Loan	Cash Advance
<b>Description</b>	Short-term, interest-free loans to buy goods from specific partner merchants	Long-term interest-bearing loans to buy goods from specific partner merchants	Short-term, high-interest cash loans to finance spending between pay cheques	Short-term cash loans on credit cards, with higher fees than other credit card transactions
 <b>Loan Amount</b>	■ □ □ □ □	■ ■ ■ □ □	■ □ □ □ □	■ □ □ □ □
 <b>Interest Rate</b>	□ □ □ □ □	■ ■ □ □ □	■ ■ ■ ■ ■	■ ■ ■ □ □
 <b>Loan Duration</b>	■ ■ □ □ □	■ ■ ■ ■ □	■ □ □ □ □	■ □ □ □ □
 <b>Credit Check</b>	□ □ □ □ □	■ ■ ■ □ □	■ □ □ □ □	■ ■ □ □ □
 <b>Merchant Coverage</b>	■ ■ □ □ □	■ ■ ■ □ □	■ ■ ■ ■ ■	■ ■ ■ ■ ■

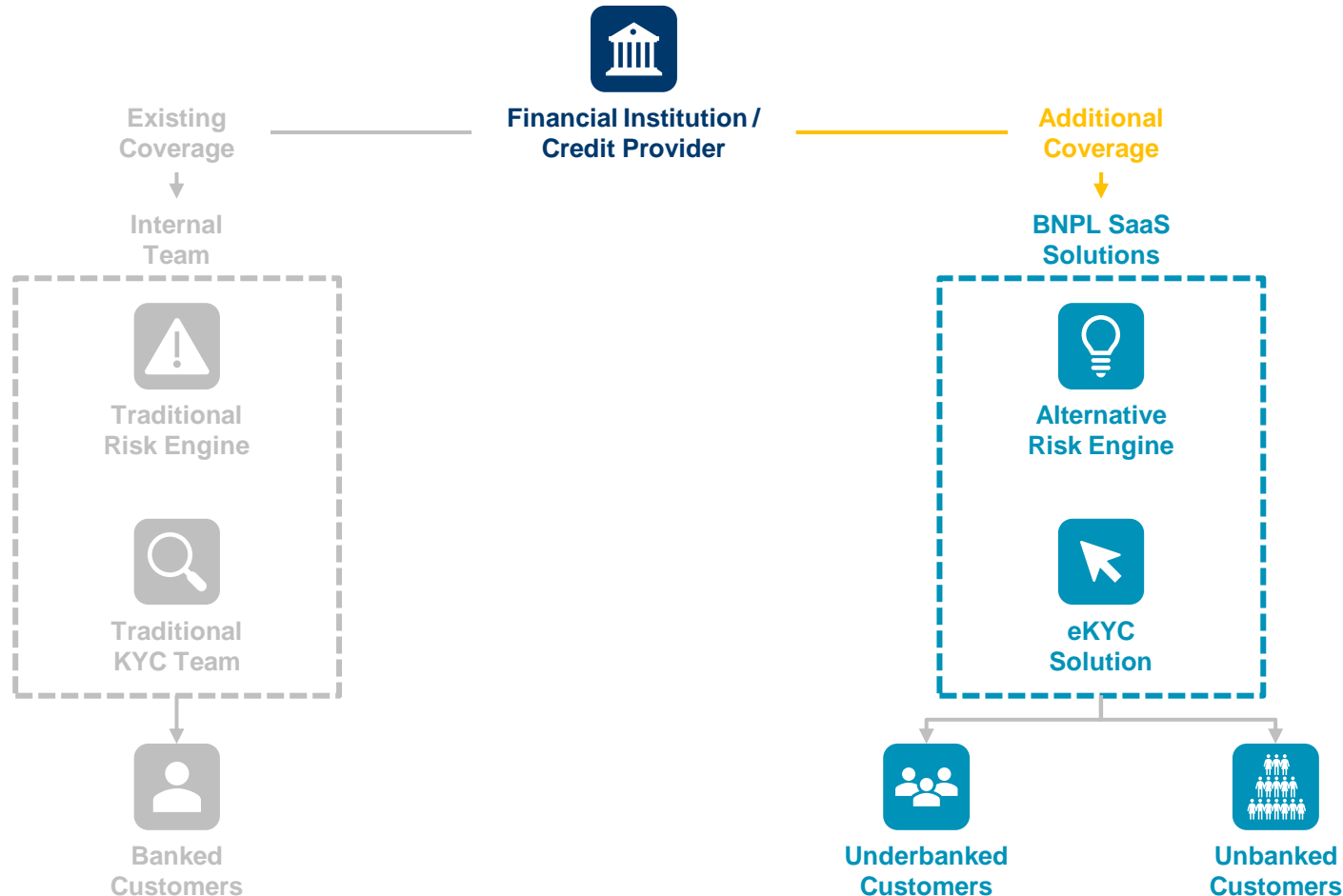
Low ■ ■ ■ □ □ High

# BUSINESS MODEL TRANSFORMATION

BNPL companies can also consider expanding into the service space, by modularising proprietary technologies and offering them as SaaS solutions to other financial institutions

## Business Model Transformation

B2C to B2B



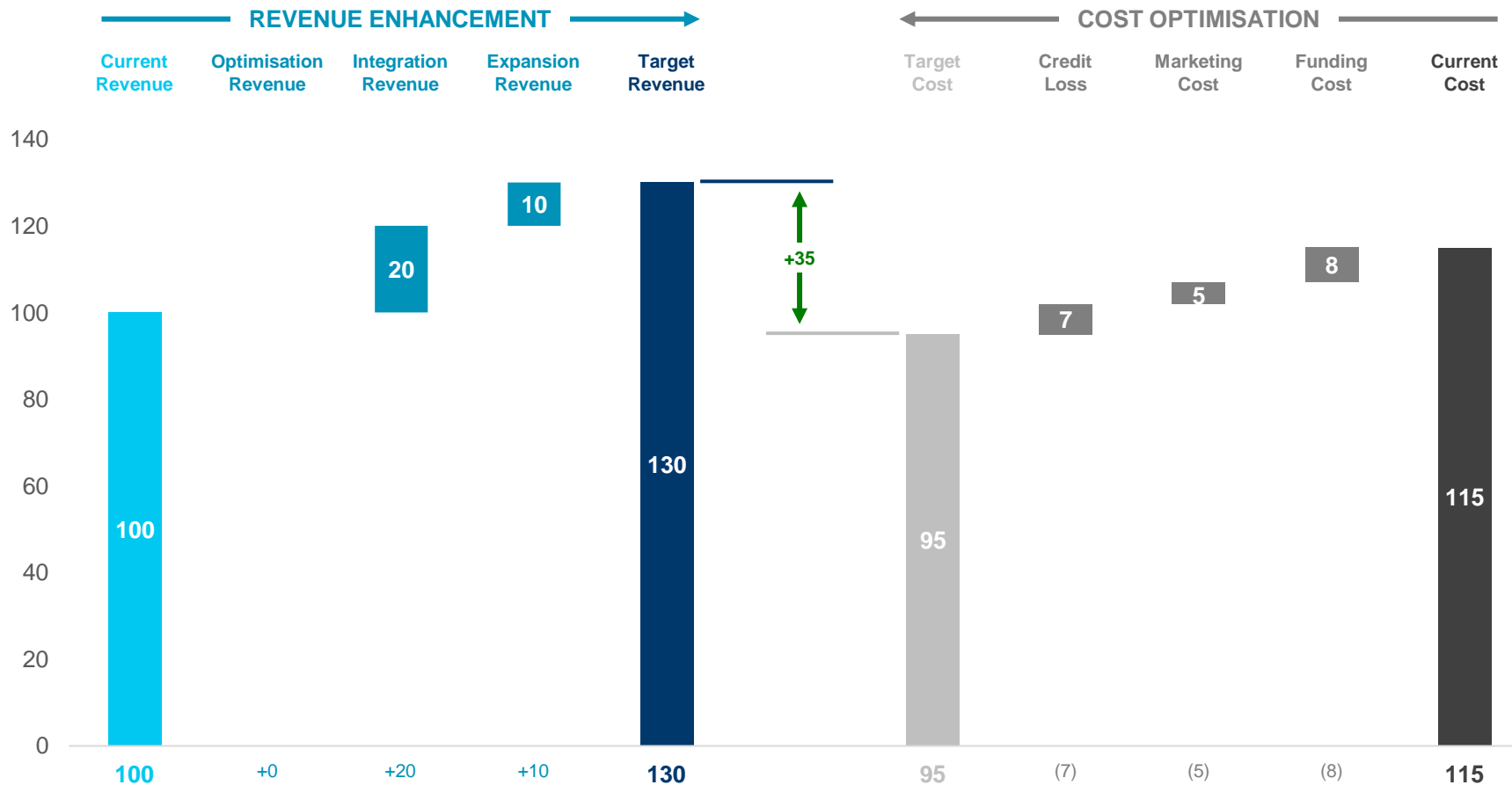
## Section 4.4 | Implications

## FINANCIAL IMPLICATIONS (1/2) – DEVELOPED MARKET PLAYERS

With suitable adjustments, we see the potential for developed market players in APAC to reach profitability, with average profit margins of 27% attainable within three years, ...

### Financial Implications

Developed Market Players, Indexed (to Current Revenue)

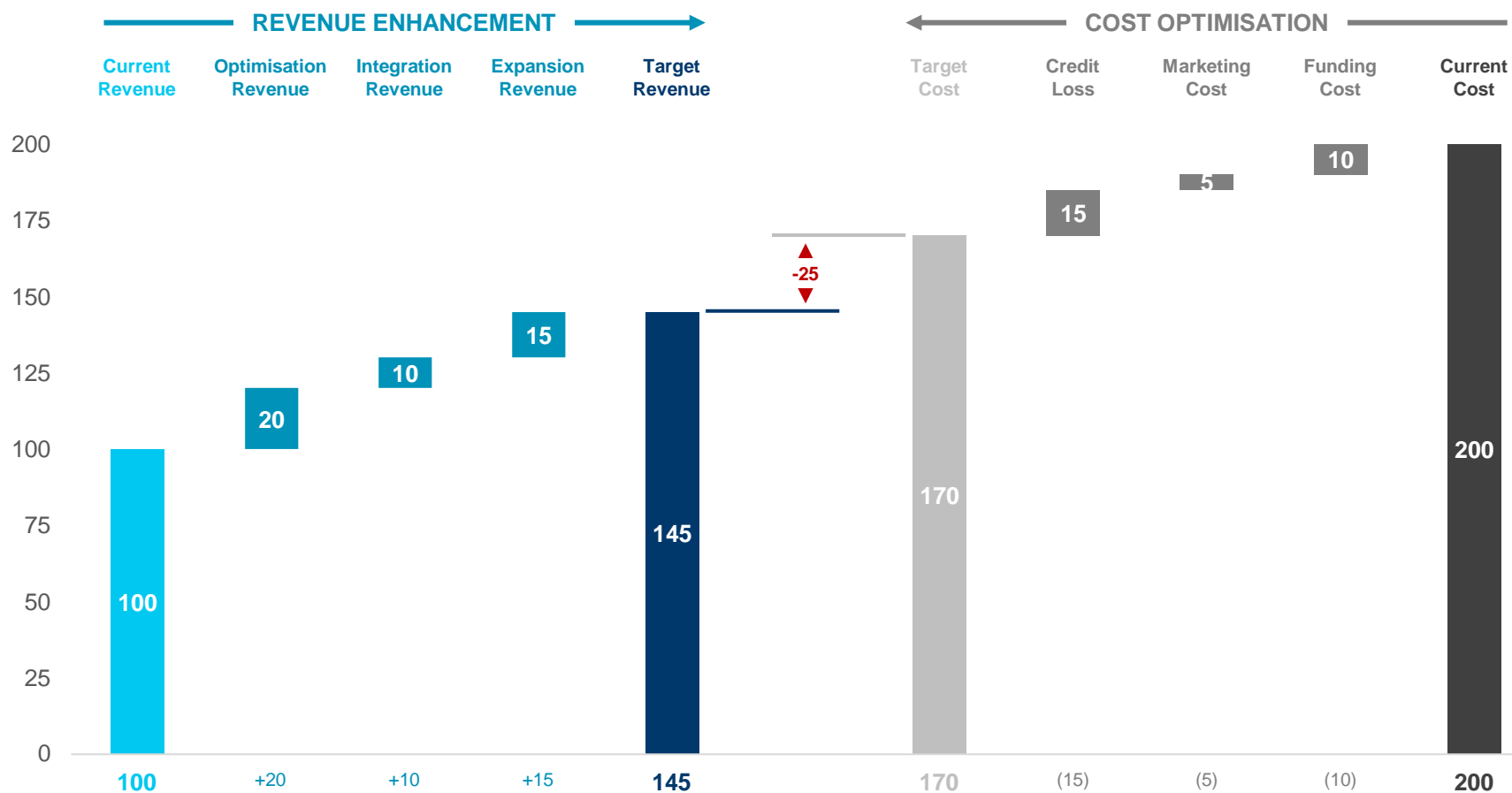


## FINANCIAL IMPLICATIONS (2/2) – EMERGING MARKET SPECIALISTS

..., while emerging market specialists can reduce their net loss margin from -100% at presents to -17% over the same period

### Financial Implications

Emerging Market Specialists, Indexed (to Current Revenue)



# SECTION 5

## NEW ENTRANTS

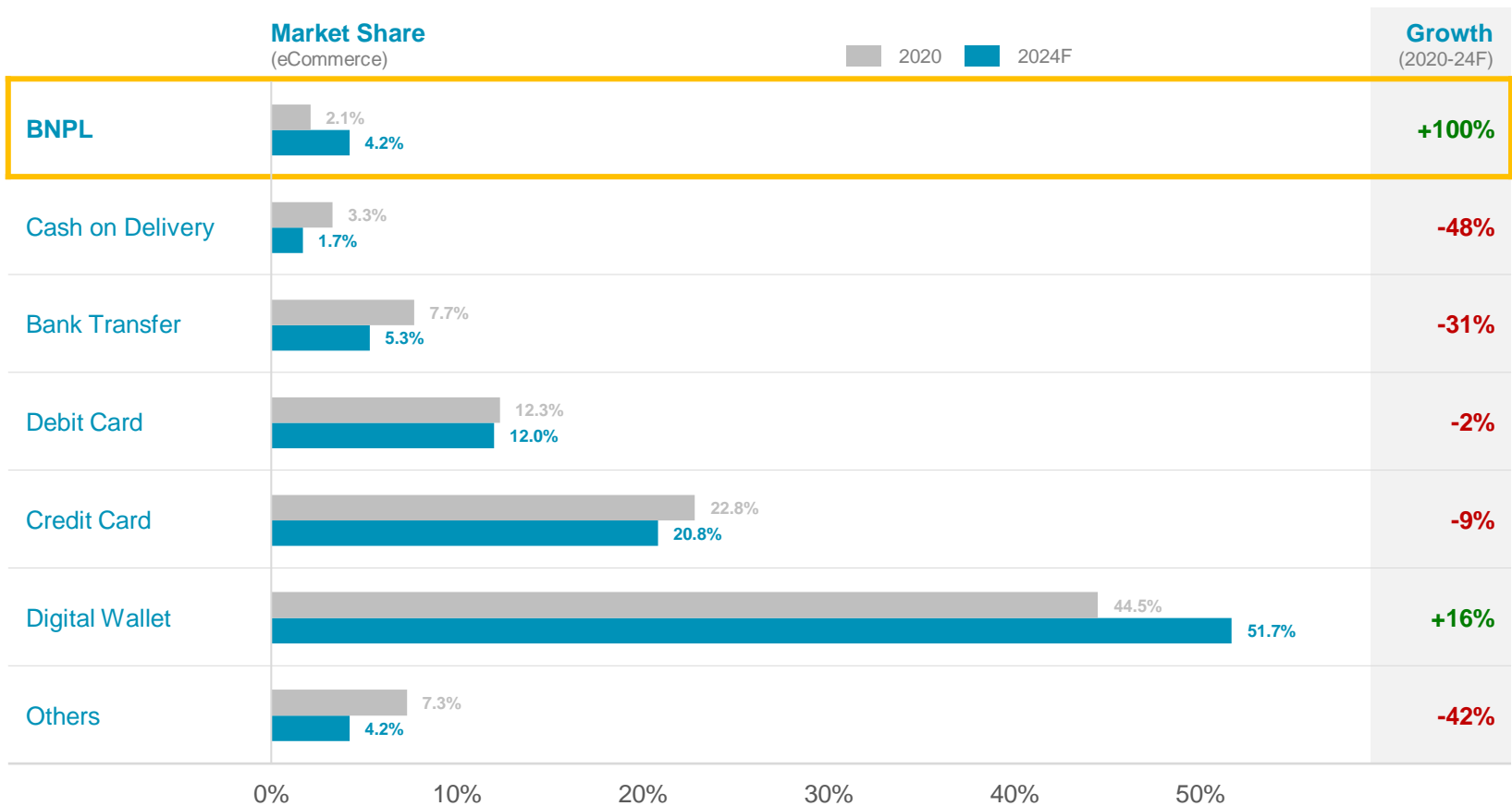


# BANKS

With payment and credit distribution channels offered by banks forecast to decline in coming years, we believe banks need to rethink their consumer credit product offerings

## Banks

New Entrants

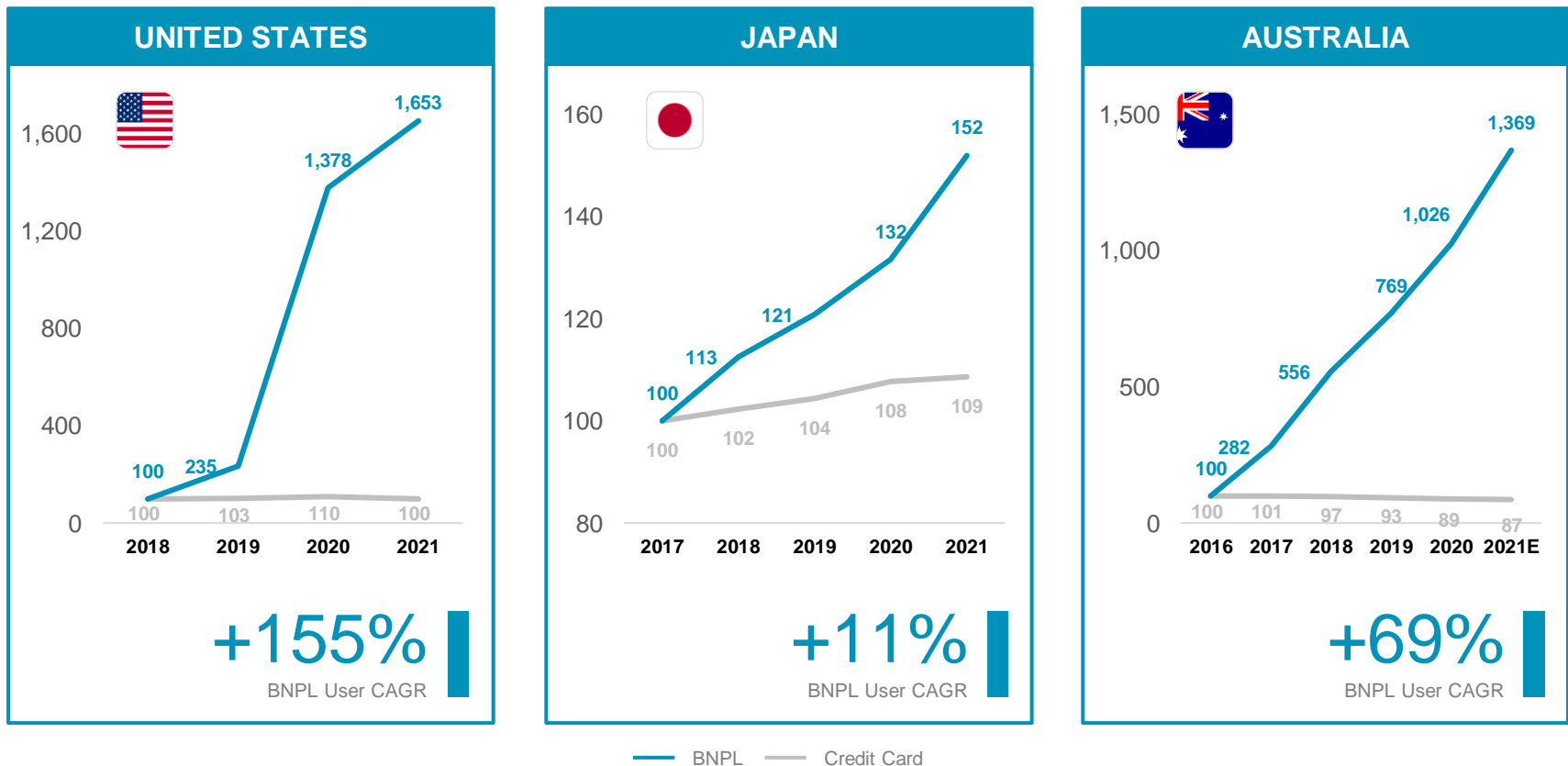


## PAYMENTS SERVICES COMPANIES

As BNPL operates as an alternative payment method, some incumbent payment services companies have ventured aggressively into BNPL to defend their payments market share

### Payments Services Companies

New Entrants



# SECTION 6

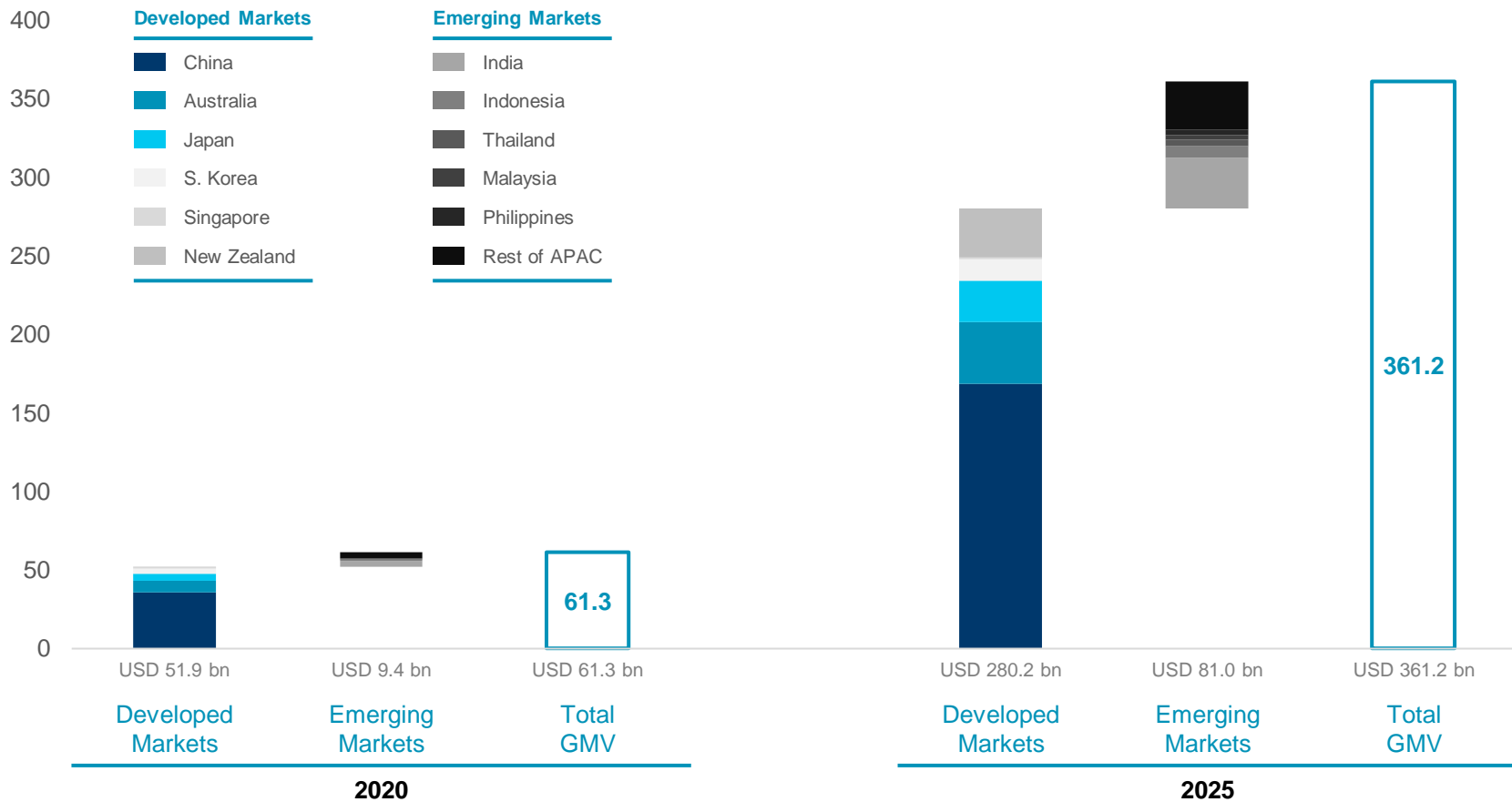
## CONCLUSION

## REVENUE OPPORTUNITY

The total APAC BNPL GMV is expected to grow from USD 61 billion to USD 361 billion, with developed market players processing 78% of GMV in 2025

### APAC BNPL GMV

2020 & 25E, USD billion

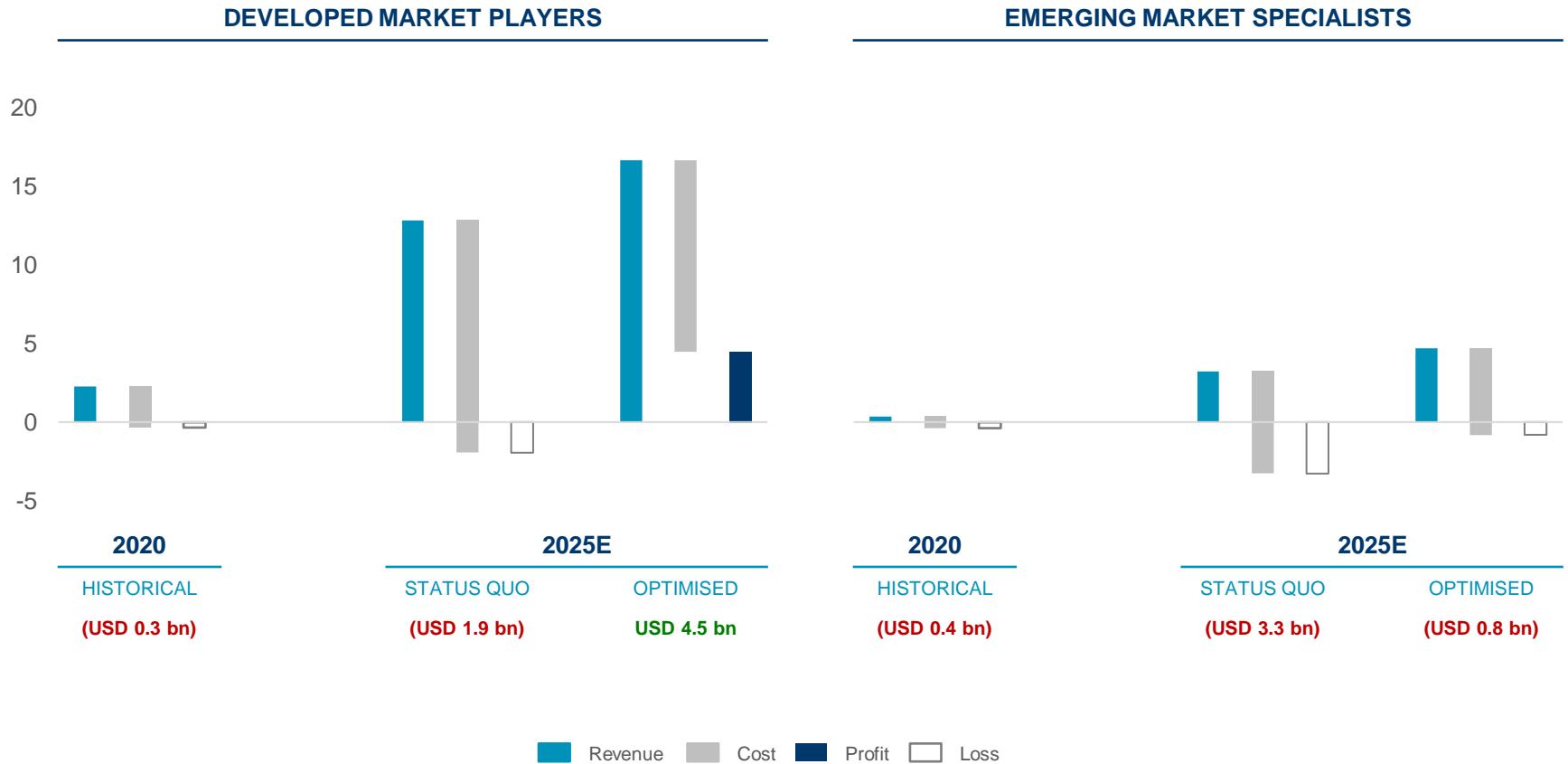


# APAC BNPL PROFIT OPPORTUNITY

If BNPL companies are able to make suitable adjustments to their strategies, the APAC BNPL market could represent a USD 3.7 billion profit opportunity by 2025

## APAC BNPL Profit Opportunity

USD billion



# SECTION 7

HOW CAN WE HELP?

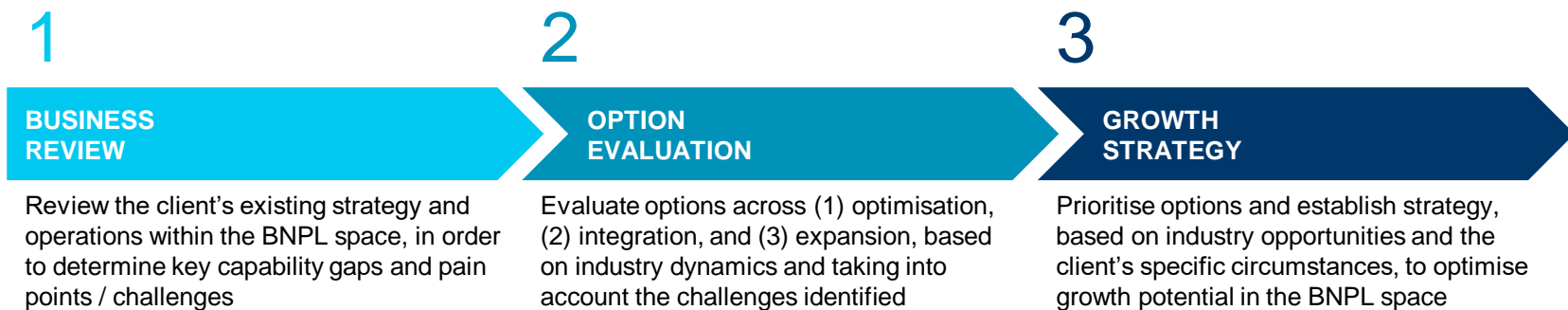
## OUR SERVICES

Our consultants have extensive experience in support incumbent BNPL firms in optimising their businesses and aspiring entrants in market entry

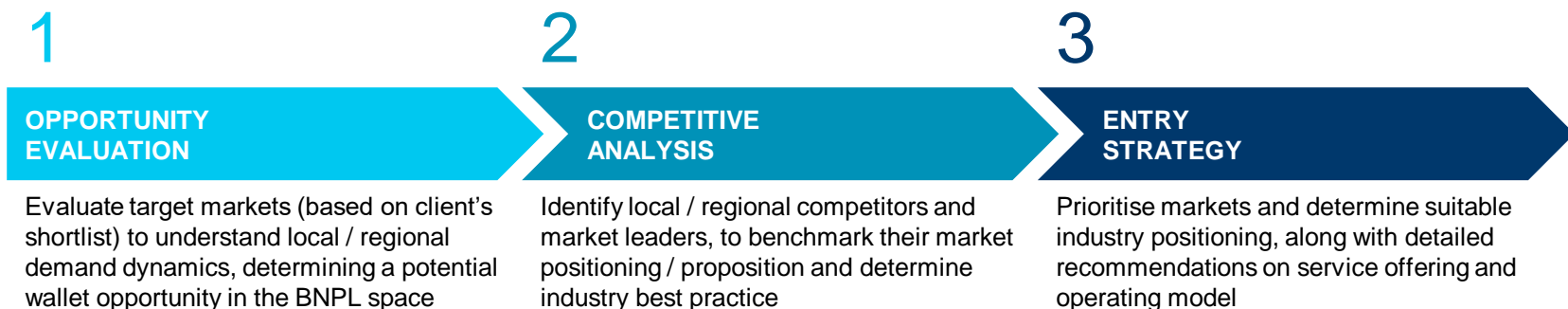
### Our Services

BNPL Industry

#### For Incumbent BNPL Players



#### For Aspiring BNPL Entrants



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