

**Australia Buy Now Pay Later Business and Investment Opportunities - 75+ KPIs on BNPL Market Size, End-Use Sectors, Market Share, Product Analysis, Business Model, Demographics - Q1 2025 Update**

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**Report description:**

According to PayNXT360, BNPL payment market in Australia is expected to grow by 12.1% on annual basis to reach US\$14,521.9 million in 2025.

The BNPL market in the country experienced robust growth during 2021-2024, achieving a CAGR of 19.8%. This upward trajectory is expected to continue, with the market forecast to grow at a CAGR of 8.5% during 2025-2030. By the end of 2030, the BNPL sector is projected to expand from its 2024 value of USD 12,954.6 million to approximately USD 21,874.9 million.

This report provides a detailed data-centric analysis of the Buy Now Pay Later (BNPL) industry in Australia, covering market opportunities and risks across a range of retail categories. With over 75 KPIs at the country level, this report provides a comprehensive understanding of BNPL market dynamics, market size and forecast, and market share statistics.

It breaks down market opportunities by type of business model, sales channels (offline and online), and distribution models. In addition, it provides a snapshot of consumer behaviour and retail spending dynamics. KPIs in both value and volume terms help in getting an in-depth understanding of end market dynamics.

PayNXT360's research methodology is based on industry best practices. Its unbiased analysis leverages a proprietary analytics platform to offer a detailed view of emerging business and investment market opportunities.

Key Insights

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The Australian BNPL market is undergoing significant transformation as it integrates into diverse retail sectors, regulatory frameworks, and consumer behaviors. The expansion into industries such as automotive services and home furnishings demonstrates the flexibility of BNPL offerings in meeting evolving consumer needs. Partnerships with major retailers, including Afterpay's collaboration with IKEA, highlight the growing importance of BNPL as a competitive tool to attract younger demographics and boost sales. This trend is expected to intensify, with BNPL becoming a standard payment option across multiple industries, further embedding it into Australia's retail landscape.

At the same time, regulatory developments are reshaping the industry by introducing stricter oversight and promoting responsible lending practices. Initiatives such as ASIC's licensing requirements aim to mitigate risks associated with consumer debt while fostering transparency and trust. As the focus on financial sustainability and consumer well-being grows, BNPL providers that prioritize responsible usage and transparency are likely to gain a competitive edge, shaping the future of this rapidly evolving market.

#### Expansion into Diverse Retail Sectors

- BNPL services are increasingly being integrated across various retail sectors in Australia, including automotive services and home furnishings. For instance, companies such as Humm have partnered with automotive service providers such as Lander Toyota to offer BNPL options for vehicle servicing. Similarly, Afterpay has collaborated with IKEA to provide flexible payment solutions for furniture purchases.
- The primary drivers include consumer demand for flexible payment options and retailers' desire to enhance sales by reducing upfront cost barriers. The surge in online shopping has also propelled BNPL growth as consumers seek convenient and interest-free payment methods.
- This trend is expected to intensify, with BNPL services becoming standard across various industries. As more retailers adopt BNPL solutions, consumer expectations for flexible payment options will likely increase, further embedding BNPL into the purchasing process.

#### Regulatory Developments Enhancing Consumer Protection

- The Australian government is implementing stronger regulations for BNPL products to boost consumer protection. The Australian Securities and Investments Commission (ASIC) has alerted BNPL providers to apply for a license under new laws, indicating a move towards more stringent oversight.
- Growing concerns about consumer debt accumulation and financial vulnerability have prompted regulatory bodies to act. Reports indicate that many Australians have used BNPL services, with some missing other bill payments to afford BNPL repayments.
- Increased regulation will lead to more responsible lending practices within the BNPL industry. Providers may need to implement stricter credit assessments and offer enhanced transparency regarding fees and repayment terms, ultimately fostering greater consumer trust.

#### Strategic Partnerships with Major Retailers

- BNPL providers are forming strategic partnerships with major retailers to expand their customer base. A notable example is the collaboration between Afterpay and IKEA, aiming to attract Gen Z and Millennial shoppers by offering flexible payment options during peak sales.
- Retailers seek to cater to younger consumers who prefer BNPL services over traditional credit. These partnerships are mutually beneficial, as retailers can boost sales by offering flexible payment solutions, while BNPL providers gain access to a wider customer base.
- Such partnerships will likely become more prevalent, with BNPL options becoming a common feature in online and

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brick-and-mortar retail environments. This integration will further normalize BNPL usage among consumers.

#### Market Consolidation and Entry of New Players

- The Australian BNPL market is experiencing consolidation among existing players and the entry of innovative startups. For example, Zip Co acquired the US-based BNPL firm Sezzle to strengthen its market position.
- The rapid growth of the BNPL sector has attracted new entrants aiming to capitalize on the high-growth market. Established players are pursuing acquisitions to expand their offerings and enter new markets, driven by the increasing consumer preference for BNPL services.
- Market consolidation is expected to continue, leading to a more competitive landscape. Consumers may benefit from improved services and more diverse BNPL options as companies strive to differentiate themselves.

#### Focus on Financial Sustainability and Consumer Well-being

- BNPL providers are introducing features to promote responsible spending among consumers. Afterpay, for instance, is launching a self-regulated spending cap to help users manage their finances amid the rising cost of living.
- Increased scrutiny over the potential for BNPL services to contribute to consumer debt has led providers to implement measures that encourage responsible usage. This approach aims to mitigate financial risks for consumers and address regulatory concerns.
- Emphasis on financial sustainability is likely to enhance the reputation of BNPL providers and increase consumer confidence. Providers prioritizing consumer well-being may gain a competitive advantage in the evolving market.

#### Competitive Landscape and Regulatory Developments in Australia's Buy Now, Pay Later (BNPL) Market

The Australian BNPL market is at the forefront of transformation, driven by robust consumer demand, innovative product offerings, and fierce competition among established players and new entrants. Companies such as Afterpay, Zip, and Humm continue to dominate the sector, while global players such as Klarna and PayPal have added to the competitive intensity by expanding their presence in the Australian market. This dynamic environment underscores the ongoing evolution of the BNPL market, characterized by both opportunities for growth and challenges from market saturation.

Over the next 2-4 years, the competitive landscape is expected to witness further consolidation as companies seek economies of scale and enhanced market positions. Traditional financial institutions, such as the Commonwealth Bank with its StepPay offering, and new fintech entrants are poised to disrupt the space further, driving innovation and expanding BNPL services into non-traditional sectors such as healthcare and education. Meanwhile, the regulatory landscape has become more stringent, with the Treasury Laws Amendment (Responsible Buy Now Pay Later and Other Measures) Bill 2024 enforcing responsible lending practices to protect consumers and promote sustainable growth. These developments will shape a more competitive, regulated, and consumer-focused BNPL industry in Australia.

#### Current State of the BNPL Market

- The Australian BNPL market has witnessed robust growth, with companies such as Afterpay, Zip, and Humm dominating the sector and actively competing for partnerships with leading retailers such as Myer and JB Hi-Fi. The widespread adoption of BNPL is a direct response to growing consumer demand for interest-free, installment-based payment options.
- The entry of global players such as Klarna and PayPal into Australia has intensified competition, prompting local providers to innovate and diversify their services. This heightened rivalry has also led to strategic collaborations with industries such as travel and healthcare, further expanding the BNPL market footprint.

#### Key Players and New Entrants

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- Afterpay: A pioneer in the Australian BNPL market, Afterpay has maintained a strong presence and continues to innovate with features such as self-regulated spending caps to promote responsible consumer spending.
- Zip Co: Another major player, Zip Co, offers BNPL services and has actively expanded its market reach through strategic acquisitions.
- Sezzle: Originally planning to merge with Zip Co, Sezzle remains a notable participant in the Australian BNPL landscape.
- Klarna: The Swedish BNPL firm has established a presence in Australia, with the Commonwealth Bank considering selling down its stake in Klarna as it prepares for a potential initial public offering in the U.S.

### Recent Launches, Mergers, and Acquisitions

In the past six months, the Australian BNPL sector has seen significant strategic partnerships, product innovations, and developments in mergers and acquisitions, reflecting the competitive and dynamic nature of the industry:

- Humm Group has expanded its BNPL services into the home improvement and renovation sector by partnering with leading providers like Reece Plumbing and Beacon Lighting. This move reflects the growing demand for BNPL solutions for high-value, essential purchases beyond traditional retail.
- Zip Co's International Focus and Asset Optimization: While the Zip-Sezzle merger was terminated, Zip Co has redirected its focus toward optimizing existing assets and expanding in key international markets. This includes prioritizing its U.S. operations while scaling back non-performing international segments to streamline operations and improve profitability.

### Anticipated Competitive Dynamics

The competitive landscape of Australia's BNPL market is expected to evolve with increased intensity:

- Market consolidation is likely to accelerate as leading players such as Afterpay, Zip Co, and Klarna acquire smaller competitors or merge to bolster their market share. This trend may be driven by increasing regulatory costs and the need for economies of scale to remain competitive in a saturated market. For example, Zip Co's recent acquisition strategy highlights this shift toward consolidation as a means of strengthening its presence.
- The entry of traditional financial institutions and global fintech companies is anticipated to disrupt the competitive dynamics further. Major banks such as Commonwealth Bank of Australia have already ventured into the BNPL space with their own offerings, such as StepPay, aiming to capture a share of this growing market. This influx of new entrants will likely fuel innovation and expand BNPL into sectors such as healthcare, education, and travel, forcing existing players to continuously adapt.

### Regulatory Changes

Over the past year, Australia has initiated steps to regulate the burgeoning fintech sector, including BNPL services:

- In November 2024, the Australian Parliament passed the Treasury Laws Amendment (Responsible Buy Now Pay Later and Other Measures) Bill 2024, bringing BNPL providers under the National Consumer Credit Protection Act 2009. This legislation requires BNPL providers to hold an Australian credit licensee and comply with responsible lending obligations, aiming to enhance consumer protection and ensure the sustainability of the BNPL sector.

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