

Canada 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 Canada is expected to grow by 12.0% on annual basis to reach US\$7,502.9 million in 2025.

The BNPL market in the country experienced robust growth during 2021-2024, achieving a CAGR of 19.7%. This upward trajectory is expected to continue, with the market forecast to grow at a CAGR of 8.6% during 2025-2030. By the end of 2030, the BNPL sector is projected to expand from its 2024 value of USD 6,698.4 million to approximately USD 11,323.7 million.

This report provides a detailed data-centric analysis of the Buy Now Pay Later (BNPL) industry in Canada, 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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Canada's BNPL sector is evolving rapidly, driven by growing adoption across diverse sectors, the emergence of domestic players, and increasing regulatory oversight. The industry is expected to expand significantly over the next 2-4 years, with heightened competition, innovation, and regulatory compliance shaping the market's trajectory. Senior executives should closely monitor regulatory developments and strategic partnerships to leverage opportunities and mitigate risks in this dynamic landscape.

Increasing BNPL Adoption Across Retail Sectors

- The BNPL sector in Canada is increasingly being integrated into industries beyond traditional retail, such as travel, entertainment, and essential services. For instance, Afterpay, Klarna, and Sezzle have partnered with merchants such as Indigo Books & Music to offer flexible payment options, particularly during high-demand holidays. This shift reflects the growing versatility of BNPL solutions and their appeal to consumers and merchants.
- The rapid growth of e-commerce in Canada has significantly contributed to expanding BNPL services as consumers gravitate toward seamless digital payment solutions. Younger generations, including Millennials and Gen Z, are leading this shift, favoring BNPL over traditional credit cards due to interest-free installments and payment flexibility. Additionally, merchants are adopting BNPL to reduce cart abandonment rates and attract cost-sensitive shoppers, further embedding this payment option across the retail landscape.
- BNPL adoption in Canada is expected to intensify as providers compete for partnerships with high-profile retailers and explore opportunities in non-traditional sectors. This trend is likely to gain momentum amid ongoing economic uncertainties, with consumers increasingly relying on flexible payment options for managing their finances. Providers must innovate and diversify their offerings as competition grows to capture a larger share of the expanding BNPL market.

Entry of New Players and Domestic Innovations

- The Canadian BNPL market is witnessing the entry of new domestic players, such as KOHO, which has introduced a BNPL product catering to larger purchases. These startups are leveraging the rapid growth of the BNPL sector to carve out a market share by offering flexible payment solutions. Domestic innovations highlight the potential for local players to compete by addressing unique consumer preferences and regulatory requirements.
- The rapid adoption of BNPL in Canada presents significant opportunities for domestic fintech companies to gain traction. Local providers can appeal to consumers who value Canadian brands and offerings tailored to their needs. However, competition from established international players such as Afterpay and Klarna drives local innovation, forcing new entrants to differentiate through unique features, customer service, and seamless integration with Canadian banking systems.
- The entry of new players is expected to intensify competition, leading to a wave of innovation and more consumer-centric products. Domestic providers may capitalize on opportunities to fill gaps left by international competitors, such as creating solutions that align closely with Canadian consumer habits and financial frameworks. Over time, this dynamic competition will likely result in improved services and diverse

Growth in Small- and Medium-Sized Merchant Adoption

- Small and medium-sized merchants in Canada are increasingly turning to BNPL services to compete with larger retailers and online platforms. By partnering with BNPL providers and platforms such as Shopify, these businesses can easily integrate flexible payment solutions, leveling the playing field. This adoption allows smaller merchants to enhance their offerings and cater to the growing consumer demand for installment-based payments.
- Platforms such as Shopify have simplified integrating BNPL services, making it more accessible for smaller businesses. These payment options enable merchants to attract price-sensitive customers who are more likely to complete transactions when flexible payment plans are available. By addressing consumer needs and strengthening their competitiveness, small businesses can boost customer retention and reduce cart abandonment rates.
- The adoption of BNPL among small and medium-sized enterprises is expected to grow steadily as providers introduce tailored

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solutions for these merchants. This trend could democratize the availability of BNPL services, allowing smaller retailers to compete in niche markets traditionally dominated by larger players. As more small businesses adopt BNPL, its penetration across diverse retail categories will likely accelerate, further embedding flexible payment solutions in the Canadian retail ecosystem.

Growing Focus on Consumer Protection and Regulation

- The Financial Consumer Agency of Canada (FCAC) has increased its scrutiny of the BNPL sector to better understand consumer behavior and the potential risks associated with these services. The focus is primarily on protecting consumers from over-indebtedness and ensuring greater transparency in fees and repayment terms. These measures aim to address growing concerns about some BNPL users' financial vulnerability and create a safer environment for consumers.
- As BNPL adoption grows, concerns about consumers overextending their finances have prompted Canadian regulators to take proactive steps. Regulatory trends in international markets, such as the U.S. and Europe, influence Canada to address similar risks, ensuring that Canadian practices align with global standards. Additionally, complaints about unclear terms and unexpected fees have increased pressure on providers to adopt transparent and standardized agreements.
- Stricter regulatory measures are expected to reshape the BNPL landscape, driving providers to implement more robust credit assessments and clearer disclosure practices. While these changes aim to safeguard consumers, they may also limit the operations of smaller providers unable to meet compliance costs. Consequently, the market could see further consolidation, with larger, well-established players gaining a competitive advantage and setting new industry standards for transparency and responsibility.

Expansion into Non-Traditional Sectors

- BNPL services in Canada are increasingly being adopted in non-traditional sectors such as healthcare, education, and home improvement. Providers such as PayBright, now part of Affirm, have partnered with healthcare providers to allow patients to finance treatments over time. This expansion highlights the versatility of the BNPL model and its potential to meet consumer needs beyond traditional retail purchases.
- Consumers seek flexible payment options for high-cost essential services, such as medical procedures or tuition fees. By reducing the upfront financial burden, BNPL providers make these services more accessible to a wider audience. This growing demand underscores the opportunity for BNPL to address financial barriers in sectors where affordability is a significant concern.
- The diversification of BNPL into additional sectors is expected to drive adoption for high-ticket purchases, offering providers a chance to secure a competitive edge in untapped markets. As more healthcare, education, and home improvement businesses recognize the value of BNPL solutions, partnerships in these areas are likely to increase. Providers that successfully integrate their services into these sectors may benefit from enhanced market reach and long-term growth opportunities.

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

The Canadian BNPL market is poised for sustained growth, fueled by increasing consumer demand for flexible payment options and the rapid expansion of e-commerce. Key players such as Afterpay, Sezzle, Klarna, Affirm, and PayBright are actively shaping the competitive landscape, leveraging strategic partnerships and technological innovations to strengthen their positions. This growing ecosystem highlights the sector's potential to redefine payment preferences across Canada's retail and non-retail industries.

Over the next 2-4 years, the competitive dynamics in the Canadian BNPL market will likely be marked by increased consolidation, technological advancements, and sectoral diversification. Larger providers are expected to acquire smaller players to achieve economies of scale and broaden their service offerings. Additionally, BNPL solutions are projected to expand into non-traditional sectors such as healthcare, education, and home improvement, further embedding themselves into consumer lifestyles. As the market matures, regulatory scrutiny from organizations such as the Financial Consumer Agency of Canada and advocacy groups

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will intensify, ensuring consumer protection and transparency in BNPL agreements, ultimately fostering a more sustainable and trust-driven industry.

Current State of the BNPL Market and Key Players

- The BNPL sector in Canada has experienced significant growth, driven by increased consumer demand for flexible payment options and the expansion of e-commerce.
- Afterpay: An Australian-based BNPL provider, Afterpay has established a strong presence in the Canadian market, partnering with various retailers to offer installment payment options.
- Sezzle: A US-based firm, Sezzle has gained traction in Canada by collaborating with merchants to provide BNPL services, appealing particularly to younger consumers.
- Klarna: Originally from Sweden, Klarna has expanded into Canada. It offers flexible payment solutions and recently integrated with Apple Pay to enhance user convenience.
- Affirm: A US-based BNPL provider, Affirm has entered the Canadian market, partnering with merchants to offer consumers installment payment options.
- PayBright: A Canadian BNPL provider, PayBright has been acquired by Affirm, expanding its reach and capabilities in the Canadian market.

Recent Launches, Mergers, and Acquisitions

- Klarna's Integration with Apple Pay: In October 2024, Klarna announced its integration with Apple Pay, allowing Canadian consumers to make BNPL purchases directly through Apple's payment platform.
- Affirm's Acquisition of PayBright: In January 2021, Affirm completed its acquisition of PayBright, a leading Canadian BNPL provider, to strengthen its presence in the Canadian market.

Anticipated Competitive Dynamics

The Canadian BNPL market is expected to become increasingly competitive, with established players and new entrants striving for market share. Key developments may include:

- Market Consolidation: As the market matures, consolidation among BNPL providers is likely, with larger firms acquiring smaller competitors to expand their customer base and service offerings.
- Technological Innovations: Providers are anticipated to invest in technology to enhance user experience, such as integrating BNPL options into digital wallets and offering personalized payment plans.
- Expansion into New Sectors: BNPL services are expected to extend beyond traditional retail into sectors such as healthcare, education, and home improvement, providing consumers with more flexible payment options across various industries.

Regulatory Changes Implemented

- In Canada, the BNPL sector has come under increased regulatory scrutiny over the past year. In October 2024, Option Consommateurs, a Quebec-based consumer rights group, released a report titled "Buy Now, Pay Later: Assessment of Risks and Remedies," which called on governments to regulate BNPL services to protect consumers. The report highlighted concerns about the lack of clarity in BNPL contracts and the potential for consumers to incur unexpected fees.

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