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Analysing The Value Drivers of BNPL & Its Influence on Gen Z's Brand Loyalty & Purchase Decisions

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ABSTRACT: This study examines the value proposition of Buy Now, Pay Later (BNPL) services and their influence on brand loyalty among Gen Z consumers in Chennai, India (n=102). A quantitative survey revealed that younger Gen Z demographics are more likely to utilize BNPL services, which are valued for convenience, affordability (lower interest rates), and accessibility. Furthermore, the research demonstrates that brand attributes like product quality, trust, and customer satisfaction significantly interact with BNPL features to influence Gen Z's brand loyalty and purchase decisions. In essence, Gen Z's decision-making process regarding BNPL brands reflects a dichotomy between the convenience and affordability offered by BNPL features, and the importance of brand reputation and social influence. These findings show the need for BNPL providers and brands to adopt a holistic approach that addresses both aspects, alongside competitive pricing and attractive promotions, to capture and retain Gen Z customers effectively.

I. INTRODUCTION

The rise of buy now, pay later (BNPL) platforms, which allow customers to make purchases with deferred interest-free instalment payments, has significantly impacted payment choices across retail channels. While previous research has focused on the drivers of BNPL adoption, less emphasis has been placed on evaluating the impact of normalized deferred payment models on brand loyalty and customer lifetime value, particularly among Generation Z consumers who have a strong preference for BNPL options. BNPL services are seamlessly integrated into e-commerce checkout processes through agreements between retailers and specialized financial technology companies. Unlike credit cards, BNPL plans do not involve interest rates or long-term revolving debt, providing younger digital natives with accessible financing alternatives. Brand loyalty refers to customers' tendency to continuously prefer a particular brand's products or services over competitors, driven by the belief that the brand best meets their needs and requirements. In retail, brand loyal consumers are crucial as they drive repeat purchases, increase share-of-wallet spending, and provide word-of-mouth endorsement. A purchase decision is the process a customer goes through before buying a product or service, influenced by various internal and external factors. Understanding this process is critical for businesses to develop effective marketing strategies. This proposed study aims to investigate the correlations between BNPL product framing, perceived value associations, and brand affinity indicators across Gen Z demographics. Specific areas of inquiry include determining the impact of various BNPL promotional appeals on initial purchase decisions and post-transaction patronage levels. Data-driven insights about targeted BNPL promotions may aid retailers in developing customer acquisition and retention strategies tailored to digitally native Gen Z consumers. While focused on BNPL usage patterns among Gen Z, the findings have broader implications for marketing strategy formulation across industries due to the scalability of digital BNPL infrastructure. Understanding the components of BNPL systems that influence positive brand perception and loyalty among younger age groups may also assist financial institutions in building integrated credit offerings to remain relevant.

II. OBJECTIVES OF THE STUDY

Primary Objective

- To analyse the major value drivers of Buy Now, Pay Later (BNPL) and its influence on brand loyalty and purchase decisions of Generation Z customers.

Secondary Objectives

- To identify the level of awareness of Buy Now Pay Later among generation Z.
- To identify the level of Buy Now Pay Later usage
- To identify the value drivers of Buy Now Pay Later.



- To examine the elements that foster brand loyalty and purchase decision making among generation Z
- To evaluate the relationship between various drivers with regard to Buy Now Pay Later and generation Z's brand loyalty and purchase decisions.

II. LITERATURE SURVEY

Buy Now Pay Later

(Raj et al., 2023) The study offers insights on how to manage privacy issues and create consumer trust in order to promote appropriate BNPL use. BNPL enables customers to make products and pay in instalments over time, enhancing spending flexibility. However, privacy concerns around the sharing of financial and personal data with BNPL providers might have a detrimental influence on usage intentions. Building trust in providers' capacity to safeguard customer data and adhere to responsible lending standards is crucial. Social influence from peers, such as evaluations and suggestions, can help boost adoption. While not the primary objective, providing rapid gratification purchasing urges helps to motivate BNPL use. The study emphasises crucial aspects of privacy, trust, and social proof procedures.

(Relja et al., 2023) This study conducted in the UK looked into the psychological aspects of buy-now-pay-later (BNPL) adoption among 533 people. While the apparent convenience and budgetary benefits of BNPL were recognised, the study indicated a more complicated terrain of psychological effects. Notably, a sense of psychological detachment from the borrowed monies revealed as a significant influence, perhaps leading to looser spending patterns. Transparency and convenience of use, while there, had little impact on user behaviour. Interestingly, a portion of users mistook BNPL for a savings tool, revealing possible misconceptions about the service. The research provided as a cautionary note, highlighting the possibility of unexpected outcomes such as overspending. As a result, the authors propose for improved communication, educational activities, and perhaps regulatory actions to encourage ethical BNPL usage. This study adds greatly to our understanding of the psychological reasons underpinning BNPL adoption, challenging standard payment views and opening the way for a more informed future landscape in this area.

Brand Loyalty

(Chauhan, 2023) Brand loyalty has an important influence on repeat purchase behaviour, which is crucial for long-term customer connections and sustained business success in fast-moving consumer goods (FMCG). Understanding the reasons of loyalty and repeat purchases allows businesses to better develop strategies for cultivating brand loyalty and increasing satisfaction. This study polled 220 customers to determine the effect of brand loyalty on repeat purchase behaviour for FMCG products. Brand reputation, product quality, pricing, promotions, customer happiness, and trust were the primary drivers of brand loyalty and repeat purchases. Customer satisfaction and trust have also emerged as key mediators. The findings demonstrate that brand loyalty has a significant impact on repeat purchasing behaviour in the FMCG industry. FMCG organisations must understand the brand loyalty characteristics that drive customer retention and repeat purchases.

Purchase Decisions

(Zhang et al., 2022) Personalised products are becoming increasingly popular because of their ability to respond to unique consumer preferences. Understanding the elements that impact consumer purchasing intentions for personalised products is critical for firms seeking to establish effective marketing strategies. This study undertakes a comprehensive literature analysis to synthesise existing research on the factors influencing purchase intentions for personalised goods. The review finds a number of important elements, including perceived value, customisation experience, co-design experience, and customer characteristics. The findings emphasise the necessity of offering customers with a pleasant customisation experience and co-design options in order to increase their perceived value and desire to purchase personalised items.

III. METHODOLOGY

3.1 Research Design:

This study will use a quantitative research design to investigate the value drivers of Buy Now, Pay Later (BNPL) services and their influence on Generation Z (Gen Z) customers' brand loyalty and purchase decisions. A quantitative approach allows for statistical analysis of data collected through standardized methods like surveys, enabling generalization of findings.



3.2 Data Collection:

An online questionnaire will be the primary data collection tool, allowing efficient access to a broad and geographically diverse sample of Gen Z respondents.

3.3 Research Instrument:

A self-administered online questionnaire will be created using Google Forms, incorporating multiple-choice, Likert scales, and open-ended questions to capture personal information, BNPL usage, perceived value, and user experiences.

3.4 Pilot Study:

A pilot study with 20 Gen Z participants was conducted to test the research design, data collection methods, and analysis strategy.

3.5 Variables:

Independent Variable

- Value Drivers of Buy Now Pay Later

Dependent Variable

- Purchase Decisions of Gen Z
- Brand Loyalty of Gen Z

3.6 Sample Size and Sampling Plan:

The study will use quota sampling to recruit 102 Gen Z participants (aged 18-26) from Chennai, India. This sample size balances statistical power with practical constraints.

3.7 Hypotheses:

- H1: There is significant association between age as well as income levels and usage of Buy Now Pay Later
- H2: There is significant association between age categories within generation z cohort and awareness level of Buy Now Pay Later
- H3: There is significant association between age and preference for "Buy Now Pay Later" services based on their value drivers.
- H4: Brand-specific factors will interact with BNPL value drivers to influence Gen Z consumer loyalty and purchase decisions.

3.8 Data Analysis Tools:

IBM SPSS Statistics will be used for data analysis, including inferential statistics like chi-square test, ANOVA, correlation analysis, and regression analysis to investigate relationships between variables.

IV. RESULTS

4.1 Correlations Analysis:

Correlations

		Age	I often use Buy Now Pay Later services to make purchases
Age	Pearson Correlation	1	-.212*
	Sig. (2-tailed)		.032
	N	102	102
I often use Buy Now Pay Later services to make purchases	Pearson Correlation	-.212*	1
	Sig. (2-tailed)	.032	
	N	102	102

*. Correlation is significant at the 0.05 level (2-tailed).

Fig. 4.1.1 Age and Usage of Buy Now Pay Later



Interpretation

The correlation matrix in the image examines the relationship between age and the frequency of using Buy Now Pay Later (BNPL) services for making purchases. The Pearson Correlation coefficient is -0.212, indicating a weak negative correlation between age and BNPL usage. In other words, as age increases, the usage of BNPL services slightly decreases. The significance level (2-tailed) is 0.032, which is less than 0.05, suggesting that this negative correlation is statistically significant.

Correlations

		What category would your monthly household income fall into?	I often use Buy Now Pay Later services to make purchases
What category would your monthly household income fall into?	Pearson Correlation	1	-.240*
	Sig. (2-tailed)		.015
	N	102	102
I often use Buy Now Pay Later services to make purchases	Pearson Correlation	-.240*	1
	Sig. (2-tailed)	.015	
	N	102	102

*. Correlation is significant at the 0.05 level (2-tailed).

Fig. 4.1.2 Income level and Buy Now Pay Later usage

Interpretation

This analysis examines the correlation between how often people use Buy Now, Pay Later (BNPL) services and their income category. The results show a statistically significant, but weak, negative correlation ($r = -0.240$, $p = 0.015$). This indicates that people who report using BNPL services more frequently tend to fall into lower income categories. However, the weakness of the correlation coefficient (-0.240) suggests that other factors likely play a more substantial role in influencing BNPL service usage.

4.2 Regression Analysis:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.212 ^a	.045	.036	.541

a. Predictors: (Constant), Age

Fig.4.2.1 Awareness and Age

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.382	1	1.382	4.718	.032 ^b
	Residual	29.294	100	.293		
	Total	30.676	101			

a. Dependent Variable: Are you aware of Buy Now Pay Later Services?

b. Predictors: (Constant), Age

Fig.4.2.2 Awareness and Age



Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	1.545	.165		9.361	<.001
	Age	-.155	.071	-.212	-2.172	.032

a. Dependent Variable: Are you aware of Buy Now Pay Later Services?

Fig.4.2.3 Awareness and Age

Interpretation

This regression analysis examines the relationship between awareness of "Buy Now Pay Later" services and age. The R-square value of 0.045 indicates that age explains only 4.5% of the variation in awareness, suggesting a relatively weak relationship. However, the ANOVA table shows that the overall model is statistically significant (F = 4.718, p = 0.032). The coefficients table reveals a negative relationship between age and awareness (B = -0.155, p = 0.032), implying that as age increases, awareness of these services tends to decrease.

4.3 Chi-Square:

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	17.591 ^a	8	.025
Likelihood Ratio	16.695	8	.033
Linear-by-Linear Association	4.504	1	.034
N of Valid Cases	102		

a. 8 cells (53.3%) have expected count less than 5. The minimum expected count is .82.

Fig.4.3.1 Age and Prefer using BNPL because of convenience

Interpretation

The Pearson chi-square test result (17.591, p=0.025) indicates a statistically significant relationship between age and preference for this service due to convenience. The likelihood ratio test (16.895, p=0.033) and the linear-by-linear association test (4.644, p=0.034) further support this finding. Therefore, the analysis suggests that age is significantly associated with the preference for "Buy Now Pay Later" services based on the convenience they offer.

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	32.697 ^a	8	<.001
Likelihood Ratio	31.040	8	<.001
Linear-by-Linear Association	5.504	1	.019
N of Valid Cases	102		

a. 8 cells (53.3%) have expected count less than 5. The minimum expected count is .82.

Fig.4.3.2 Age and Prefer using BNPL because of Lower Interest Rates

Interpretation

The Pearson chi-square test (32.697, p < 0.001), the likelihood ratio test (31.040, p < 0.001), and the linear-by-linear association test (5.504, p = 0.019) all indicate a statistically significant relationship between age and the preference for these services based on lower interest rates. Therefore, the analysis suggests that age is significantly associated with the preference for "Buy Now Pay Later" services due to the lower interest rates they offer.



Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	21.244 ^a	8	.007
Likelihood Ratio	21.140	8	.007
Linear-by-Linear Association	3.198	1	.074
N of Valid Cases	102		

a. 8 cells (53.3%) have expected count less than 5. The minimum expected count is 1.24.

Fig.4.3.3 Age and Prefer using BNPL because of Social/Peer Influence

Interpretation

The chi-square tests presented above analyse the association between age groups and their preferences for using Buy Now Pay Later options due to social/peer influence. The Pearson Chi-Square value of 21.244 with a p-value of 0.007 and the Likelihood Ratio of 21.140 with a p-value of 0.007 indicate a statistically significant relationship between the two variables. However, the Linear-by-Linear Association test with a value of 3.198 and a p-value of 0.074 suggests that there is no clear linear trend in the data. These results indicate that while there is a significant association between age and the preference for Buy Now Pay Later due to social/peer influence and may significantly vary across different age groups.

4.4 One-Way ANOVA:

		ANOVA				
		Sum of Squares	df	Mean Square	F	Sig.
The following factors influence my decision to return to brands offering Buy Now, Pay Later (BNPL) options. Please rate your level of agreement for each statement on a scale of 1 (Strongly Disagree) to 5 (Strongly Agree) [Quality of Products or services]	Between Groups	30.860	4	7.715	7.483	<.001
	Within Groups	100.012	97	1.031		
	Total	130.873	101			
The following factors influence my decision to return to brands offering Buy Now, Pay Later (BNPL) options. Please rate your level of agreement for each statement on a scale of 1 (Strongly Disagree) to 5 (Strongly Agree) [Brand Trust]	Between Groups	21.318	4	5.329	5.879	<.001
	Within Groups	87.937	97	.907		
	Total	109.255	101			
The following factors influence my decision to return to brands offering Buy Now, Pay Later (BNPL) options. Please rate your level of agreement for each statement on a scale of 1 (Strongly Disagree) to 5 (Strongly Agree) [Perceived Brand Image and Reputation]	Between Groups	23.513	4	5.878	7.974	<.001
	Within Groups	71.507	97	.737		
	Total	95.020	101			
The following factors influence my decision to return to brands offering Buy Now, Pay Later (BNPL) options. Please rate your level of agreement for each statement on a scale of 1 (Strongly Disagree) to 5 (Strongly Agree) [Customer Satisfaction]	Between Groups	17.389	4	4.347	4.840	.001
	Within Groups	87.130	97	.898		
	Total	104.520	101			
The following factors influence my decision to return to brands offering Buy Now, Pay Later (BNPL) options. Please rate your level of agreement for each statement on a scale of 1 (Strongly Disagree) to 5 (Strongly Agree) [Pricing and Promotions]	Between Groups	14.526	4	3.632	3.582	.009
	Within Groups	98.346	97	1.014		
	Total	112.873	101			

Fig.4.4.1 Factors influencing brand loyalty and value drivers of BNPL (Convenience)



Interpretation

The study shows brand-specific factors and BNPL value drivers, particularly convenience, interact to influence Gen Z customer loyalty. Results reveal a significant difference in how Gen Z prioritizes these factors. Those highly valuing convenience ("Strongly Agree") tend to choose BNPL options based on ease and speed, deemphasizing brand attributes like quality, trust, and cost compared to the "Disagree" group prioritizing brand factors, demonstrating convenience can substitute for certain brand concerns among some. However, there are substantial differences ($p < 0.05$) between the convenience-focused group and those valuing brand factors more highly. Gen Z does not have a uniform approach - convenience interacts with existing brand preferences. For some it's paramount, leading to trade-offs with brand factors, while for others brand takes precedence over convenience. The combination of convenience and brand distinctiveness influences their decision to return to a BNPL brand. The varied prioritization based on convenience and significant interaction between convenience and brand factors substantially support the hypothesis that BNPL value drivers interact with brand variables to create a unique decision environment impacting Gen Z brand loyalty.

		ANOVA				
		Sum of Squares	df	Mean Square	F	Sig.
When considering brands offering Buy Now, Pay Later (BNPL) options, the following factors influence my decision to make a purchase. Please rate your level of agreement for each statement on a scale of 1 (Strongly Disagree) to 5 (Strongly Agree) [Promotion and Discounts]	Between Groups	44.250	4	11.063	14.380	<.001
	Within Groups	74.622	97	.769		
	Total	118.873	101			
When considering brands offering Buy Now, Pay Later (BNPL) options, the following factors influence my decision to make a purchase. Please rate your level of agreement for each statement on a scale of 1 (Strongly Disagree) to 5 (Strongly Agree) [Pricing and overall cost]	Between Groups	30.519	4	7.630	9.934	<.001
	Within Groups	74.501	97	.768		
	Total	105.020	101			
When considering brands offering Buy Now, Pay Later (BNPL) options, the following factors influence my decision to make a purchase. Please rate your level of agreement for each statement on a scale of 1 (Strongly Disagree) to 5 (Strongly Agree) [Brand image and reputation]	Between Groups	44.685	4	11.171	14.469	<.001
	Within Groups	74.894	97	.772		
	Total	119.578	101			
When considering brands offering Buy Now, Pay Later (BNPL) options, the following factors influence my decision to make a purchase. Please rate your level of agreement for each statement on a scale of 1 (Strongly Disagree) to 5 (Strongly Agree) [Perceived Value]	Between Groups	35.953	4	8.988	13.545	<.001
	Within Groups	64.370	97	.664		
	Total	100.324	101			
When considering brands offering Buy Now, Pay Later (BNPL) options, the following factors influence my decision to make a purchase. Please rate your level of agreement for each statement on a scale of 1 (Strongly Disagree) to 5 (Strongly Agree) [Ease of Use]	Between Groups	28.383	4	7.096	9.092	<.001
	Within Groups	75.706	97	.780		
	Total	104.088	101			
When considering brands offering Buy Now, Pay Later (BNPL) options, the following factors influence my decision to make a purchase. Please rate your level of agreement for each statement on a scale of 1 (Strongly Disagree) to 5 (Strongly Agree) [Environmental impact and sustainability practices]	Between Groups	30.381	4	7.595	9.153	<.001
	Within Groups	80.492	97	.830		
	Total	110.873	101			

Fig.4.4.1 Factors influencing purchase decisions and value drivers of BNPL (Lower Interest Rates)

Interpretation

The analysis examines how Gen Z perceives the influence of various factors on their decision to make a purchase when considering brands offering Buy Now, Pay Later (BNPL) options. The results indicate statistically significant differences ($p < 0.05$) in Gen Z's agreement levels for most factors, suggesting they distinguish between BNPL offerings. Moreover, the means comparisons reveal that some factors show a stronger influence on purchase decisions compared to others. Gen Z appears to be more likely to choose brands with specific characteristics, while brand reputation also seems to play a significant role. Notably, a lower interest rate offered by a BNPL provider emerges as a significant factor influencing Gen Z's purchase decisions. This suggests that when presented with BNPL options, Gen Z



is more likely to be swayed by providers offering financing with a lower interest burden. These findings suggest that brand-specific factors interact with BNPL value drivers, like lower interest rates, to influence Gen Z's purchase decisions. Gen Z considers various aspects in conjunction with BNPL benefits to make choices.

V. CONCLUSION

This study investigated the value drivers of Buy Now, Pay Later (BNPL) services and their influence on brand loyalty and purchase decisions among Generation Z (Gen Z) consumers. Findings revealed a negative correlation between age and BNPL usage within Gen Z, with younger consumers more likely to utilize these services, aligning with increasing digital financial technology adoption among youth. A weak negative correlation between income levels and BNPL usage suggests lower-income groups may use BNPL for smaller purchases or accessing credit amid limited traditional options. Younger Gen Z demonstrated stronger preference for BNPL value drivers like convenience, lower interest rates, and accessibility compared to older demographics. Crucially, the analysis provided robust evidence that BNPL value drivers significantly interact with brand-specific factors (product quality, brand trust, customer satisfaction) to influence Gen Z brand loyalty and purchase decisions. Some prioritize convenience over minor brand shortcomings for seamless BNPL experiences, while others value established brand reputations above convenience. Social/peer influence also moderates brand choices, with some following trendy peer-endorsed brands over quality. However, pricing and attractive promotions remain universal considerations across BNPL preferences. These findings highlight Gen Z's nuanced decision-making when evaluating BNPL brands, necessitating businesses provide seamless BNPL experiences while cultivating strong brand equity. Tracking subgroup preferences, emotional drivers, cultural variations, long-term financial impacts, and potential BNPL regulations could further refine targeted strategies resonating with Gen Z in this rapidly evolving landscape.

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