

Brand Building in the Pay-Later Era: A Study on Trust Construction and Consumer Psychological Contracts

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Abstract: The "Pay-Later" model is an emerging consumption method that allows consumers to experience products before completing payment through installment plans, credit services, or deferred payment options. According to the latest data from the National Bureau of Statistics, China's online retail sales reached ¥15.5225 trillion in 2024, underscoring the integral role of e-commerce in modern life. With the widespread adoption of digital payments and fintech, the Pay-Later model has rapidly gained popularity, particularly among younger demographics. And this payment model is a product of the digital era, driven by two key factors identified in literature: first, the expansion of internet-enabled markets has generated demand among a massive user base; second, big data analytics has positioned Pay-Later as a strategic marketing tool, offering consumers diversified payment choices. The authors apply methods, including Survey Methodology, Data Collection and Analysis of preferences for the BNPL model, to this research. Through all those methods, the authors conclude that BNPL model has an essential effect on trust construction and consumer psychological contracts.

1 INTRODUCTION

The Pay-Later model serves as a double-edged sword for brand loyalty and consumer perception. While its convenience and flexibility enhance satisfaction, overconsumption may lead to negative experiences that damage brand equity. Market tolerance for this model also varies significantly across regions.

This study examines contemporary online consumption patterns to decode consumer psychological needs. At the corporate level, insights can optimize customer-centric marketing strategies; at the individual level, the insights empower users to select suitable platforms while safeguarding privacy and establishing boundaries for data rights.

2 METHOD

2.1 Survey Methodology and Data Collection

To investigate how Pay-Later platforms affect user retention, the authors designed a 20-item

questionnaire across seven dimensions: Demographic profiles, Emotional bonds formed through Pay-Later usage, Platform-consumer psychological contract alignment, Perceived consumer responsibility, Risk perception, Payment flexibility, Credit thresholds and service convenience.

Launched on Wenjuanxing platform (February 25–27, 2025), the survey collected 15 valid responses (100% retrieval rate). Reliability analysis (Table 1) demonstrated exceptional consistency ($\alpha=0.927$), exceeding the 0.9 benchmark. Subscale reliability metrics were:

Emotional bonds: $\alpha=0.809$ (near-excellent precision)

Psychological contract alignment: $\alpha=0.757$ (acceptable)

Responsibility perception: $\alpha=0.711$ (approaching 0.7 threshold)

Risk perception ($\alpha=0.810$) and service convenience ($\alpha=0.817$). The above results indicate that the scale has high reliability.

Credit thresholds ($\alpha=0.878$) and payment flexibility ($\alpha=0.821$) demonstrate the highest reliability, accurately capturing users' perceptions of platform mechanisms.

Table 1: Questionnaire Reliability Analysis

Dimensions	Cronbach reliability Analysis	Number of items		Cronbach reliability Analysis	Number of items
Emotional bonds	0.809	2	All above	0.927	20
Psychological contract alignment	0.757	3			
Responsibility perception	0.711	3			
Risk perception	0.810	3			
Service convenience	0.821	3			
Credit thresholds	0.878	3			
Payment flexibility	0.817	3			

To investigate trust construction and consumer psychological contracts in the Pay-Later model, this study designed a structured questionnaire comprising 20 items across seven dimensions: Emotional bonds, Psychological contract expectation alignment, Perceived responsibility, Risk perception, Payment flexibility, Credit thresholds and Service convenience.

The questionnaire underwent iterative refinements through pilot testing, including the removal of low-reliability items and ambiguous questions reported by respondents. The final version was distributed via the Wenjuanxing platform from February 25 to 28, 2025, yielding 125 valid responses (100% retrieval rate).

2.2 Respondent Profile

As shown in Table 1, 90% of participants belonged to the emerging adulthood cohort (aged 18–25). Their consumption habits (See Figure 1) revealed a predominance of impulsive spending (70%) over rational consumption (30%), aligning with established behavioral trends in this demographic (See Figure 2).

The paper adopts a four-part structure for presentation and concludes: "We document that a large minority of UK consumers charge BNPL to credit cards, especially younger consumers and those living in more deprived areas. This raises doubts on these consumers' ability to pay for BNPL and prompts a regulatory question as to whether consumers should be allowed to refinance their unsecured debt. Further research is required. . . "

The Introduction section elaborates on the initial emergence of the BNPL model, providing a concrete and clear context for its subsequent development. This approach inspires the present study to situate BNPL within the broader internet context, integrating the internet environment and socio-cultural interactions to better interpret the BNPL framework.

The Institutional details section approaches the topic from macro-level perspectives of both enterprises and society, dividing the discussion into three parts: product structures, Economics of BNPL, and BNPL on credit cards. These studies establish a preliminary framework for the subsequent research and offer reference perspectives.

The authors begin with the macro-context of BNPL as its entry point, followed by a preliminary analysis of its research significance, arriving at the same conclusion as previous literature—that the BNPL model holds significant potential for further investigation. Building on prior literature, we introduce a novel perspective by leveraging our own identity as researchers to conduct an initial exploration and analysis of consumer psychology. Supplemented with questionnaire data, we conclude that BNPL, as a consumption model promoted by platforms, plays a positive role in attracting consumers and enhancing their platform loyalty.

Due to the limitations of the questionnaire respondents, the study is confined to the individual level. However, as highlighted in previous literature and the initial discussion of research significance, this topic holds substantial importance for both individuals and enterprises. Future research could employ interviews or sampling surveys to investigate enterprises, alongside regression analysis to examine how binding liquidity constraints are for consumers using BNPL, the effects of BNPL on consumers, whether BNPL is substituting for other payment mechanisms or forms of lending, and BNPL's competitive effects on these established products. This would help clarify the role of the BNPL model in fostering enterprise-user loyalty, thereby improving user service.

Additionally, the three research dimensions established by prior literature—product structures, Economics of BNPL, and BNPL on credit cards—interpret the significance of BNPL from its origins. Future research could extend to the midstream of the

value chain, such as examining the promotional phase of BNPL models in enterprises, incorporating dimensions like marketing, trust-building, and reputation shaping. Alternatively, it could explore the downstream of the value chain, introducing dimensions such as the convenience guarantees (e. g. , service processes, refund models) and service quality assurances during enterprise service delivery. These perspectives would allow for deeper exploration at the enterprise level.

The individual-level investigation did not extensively address the issue of power delegation. Future research could collaborate with enterprises to conduct follow-up interviews with consumers, surveying their awareness of the boundaries of power in using BNPL models and analyzing how to better protect consumer privacy. This approach would also mitigate the issue of some consumers' emotional dependence on brands often stems from long-term cumulative psychological contracts.

The formation and change of psychological contracts are mainly mediated by organizational behavior, individual differences of consumers, service interaction and external environment. Regarding corporate behavior, if the company fails to fulfill its promises, it will directly violate the psychological contract. Regarding individual differences of consumers, consumers' risk preferences, past consumption patterns, and financial literacy will influence consumers' understanding and expectations regarding the content of the contract. Regarding service interaction, the service response speed, problem-solving efficiency, and user interface friendliness of the company's interactive process will affect consumers' psychological contracts. Regarding the external environment, factors such as industry supervision, the national credit reporting system maturity, and economic fluctuations are also important for the importance of psychological contracts.

Focusing on the BNPL scenario, the traditional psychological contract theory shows a new dimension in the BNPL scenario: its construction relies more on technology-driven transparency and is more susceptible to short-term experience. Studies have found that the psychological contract has a dual effect on trust. When the platform provides transparent installment rules and flexible repayment options, the consumer's psychological contract is significantly enhanced and the stickiness of use increases. If fees are not transparent or if data is leaked, the psychological contract can quickly collapse. There is also a clear differentiation in the perception of

responsibility. Some consumers regard BNPL as a serious credit commitment and take the initiative to fulfill the contract; the other part lacks risk perception, reflecting the lack of a shared responsibility mechanism in the psychological contract.

In order to study the trust building and consumer psychological contract research of the BNPL model, a structured questionnaire was developed. The questionnaire is divided into seven parts, including 20 questions, covering emotional connection, psychological contract consistency, responsibility perception, risk perception, repayment flexibility, credit limits and service convenience. After a small-scale test, the content of the questionnaire underwent iterative validation and was revised multiple times, such as deleting some questions with low reliability and ambiguous questions reported by respondents during the trial distribution process. It was released on the Questionnaire Star platform on February 25, 2025. As of February 28, 2025, a total of 125 valid questionnaires were collected, with a recovery rate of 100%. The situation of the respondents is shown in Table 1. Most of the respondents who participated in the questionnaire were people in the emerging adults (18-25 years), accounting for 90%. The consumption habits of the respondents are shown in Figure 1, among which impulsive consumption (accounting for 70%) accounts for more than rational consumption (accounting for 30%), indicating that impulsive consumption is a common behavior among individuals in early adulthood.

3 ANALYSIS OF PREFERENCES FOR THE BNPL MODEL

3.1 The Understanding of the BNPL Model Among Participants

According to the questionnaire survey, 14% of the respondents have no understanding of the credit risk of BNPL, and 36% of the respondents have some understanding of the credit risk of BNPL but are not familiar with it. 9% of the respondents are very familiar with the credit risk of BNPL, and 17% of the respondents are relatively familiar with the credit risk and interest rules of BNPL (See Figure 3). It can be seen that even though almost all major platforms have launched the BNPL model, a considerable proportion of the respondents have a rather one-sided understanding of the BNPL model.

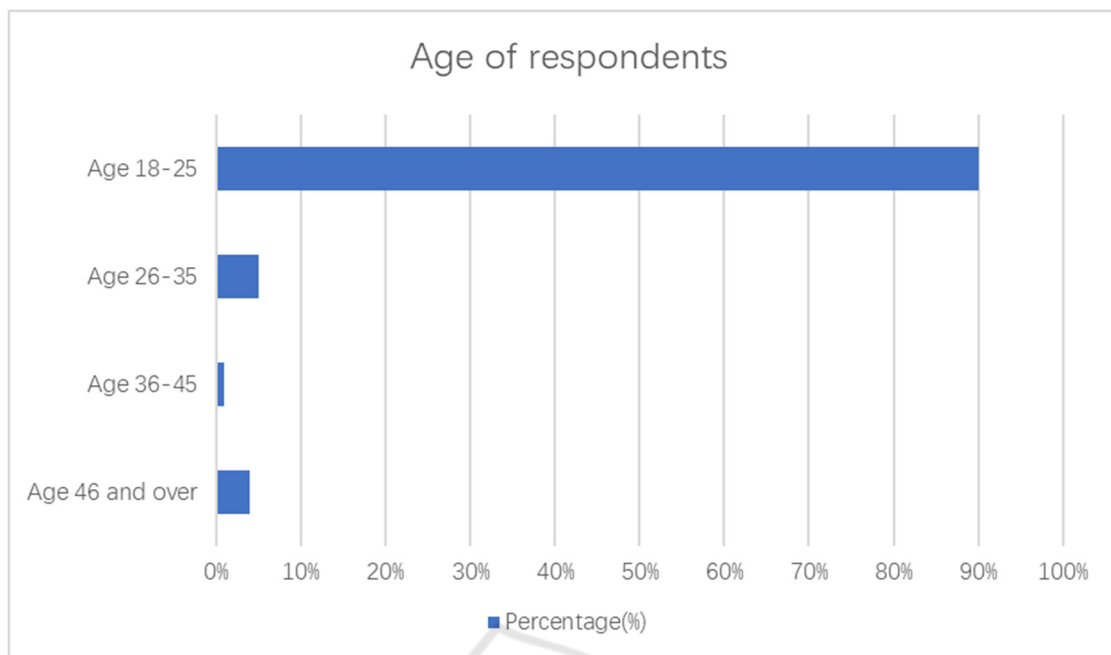


Figure 1: Age of respondents.

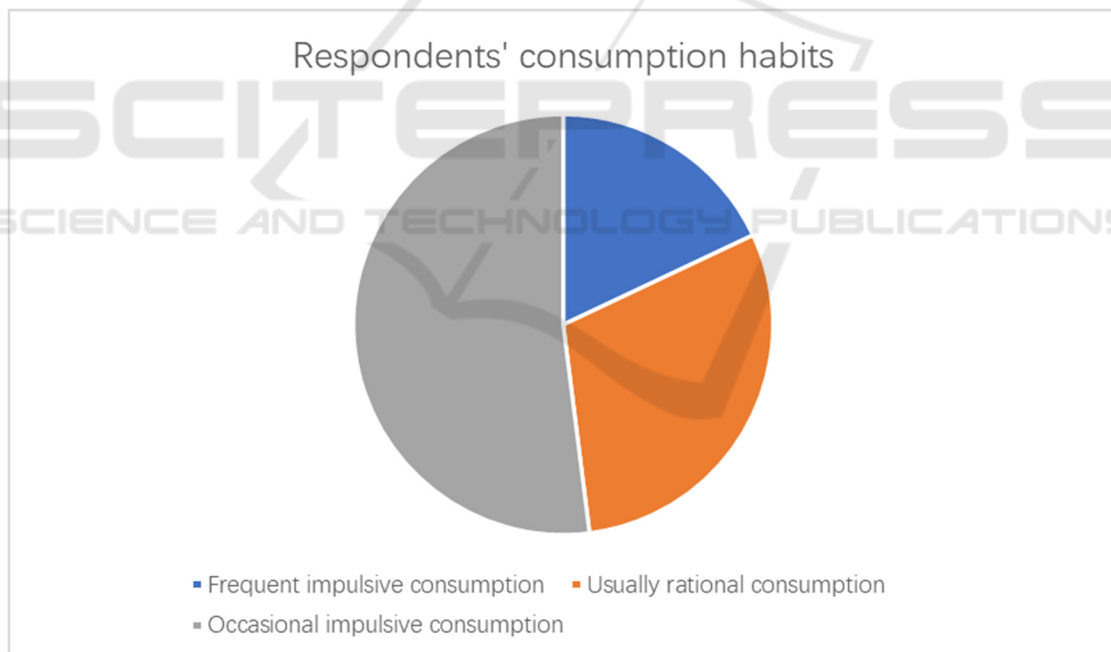


Figure 2: Respondents' consumption habits

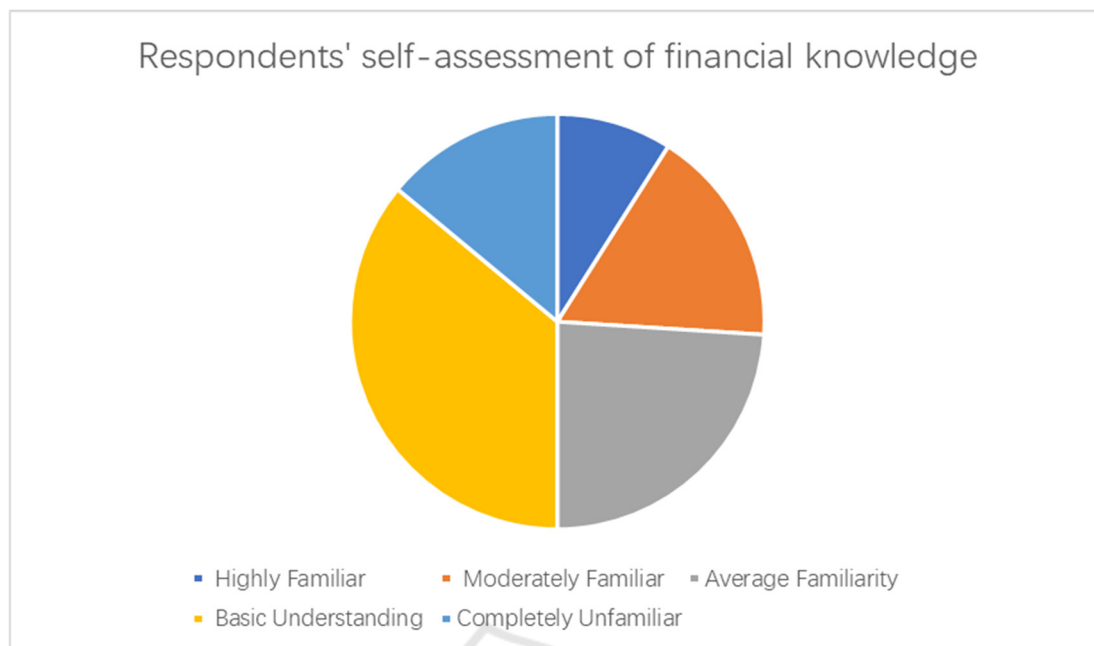


Figure 3: Respondents' self-assessment of financial knowledge

3.2 Reasons for Choosing the BNPL Model

According to the questionnaire, when investigating the reasons for choosing the BNPL model, this article provides six options for respondents to choose from, namely, interest-free installments, low handling fees/interest rates, high credit limits, high platform security, flexible repayment periods, and others. Among them, the proportion of high platform security reached 44%, and the proportion of interest-free installments reached 38.4%, indicating that the respondents put platform security first, indicating that in digital payment scenarios, consumers attach great importance to personal information protection, fund security, and transaction reliability. In the current consumption context, consumers tend to reduce the immediate pressure of large-scale consumption through interest-free installments while avoiding interest costs.

4 TRUST BUILDING AND CONSUMER PSYCHOLOGICAL CONTRACT

4.1 Current Status of Trust Building

According to the survey, 34% of respondents agreed that their actual service experience with the BNPL

service matched the brand's promotional promises, but 16% of the respondents were still dissatisfied and 50% of the respondents were neutral. The main issues were concentrated in opaque installment fees (20% of the respondents disagreed that the installment fees were in line with expectations) and hidden terms or additional charges (22% of the respondents disagreed that they had not encountered hidden terms or additional charges), indicating that users have a high level of trust in the BNPL function at this stage, but there is a gap in user experience (See Figure 4).

50% of the respondents agreed that they were worried about the leakage or abuse of personal information, and only 35% of the respondents believed that the credit review standards were transparent and easy to understand, indicating that the security trust of BNPL needs to be improved urgently.

44% of the respondents agreed that the BNPL operation interface is friendly and the process is simple, and 41% of the respondents agreed that the BNPL approval speed met expectations, but 15% of the respondents disagreed that the customer service response was timely and effective, indicating that the trust in the BNPL service at this stage depends on process optimization.

4.2 Psychological Contract

According to the questionnaire, 46% of the respondents are clear about the repayment amount and deadline for each period, and 58% of the

respondents believe that default will affect their personal credit records, indicating that the platform rules are effectively communicated and the rules are clear to users who use the BNPL. 54% of participants prioritize repaying BNPL debts of BNPL, but 43% of

the respondents are still worried about the accumulation of debts due to excessive consumption, reflecting that the risk perception of users of the BNPL is insufficient and there are differences in the recognition of responsibility (See Figure 5 & 6).

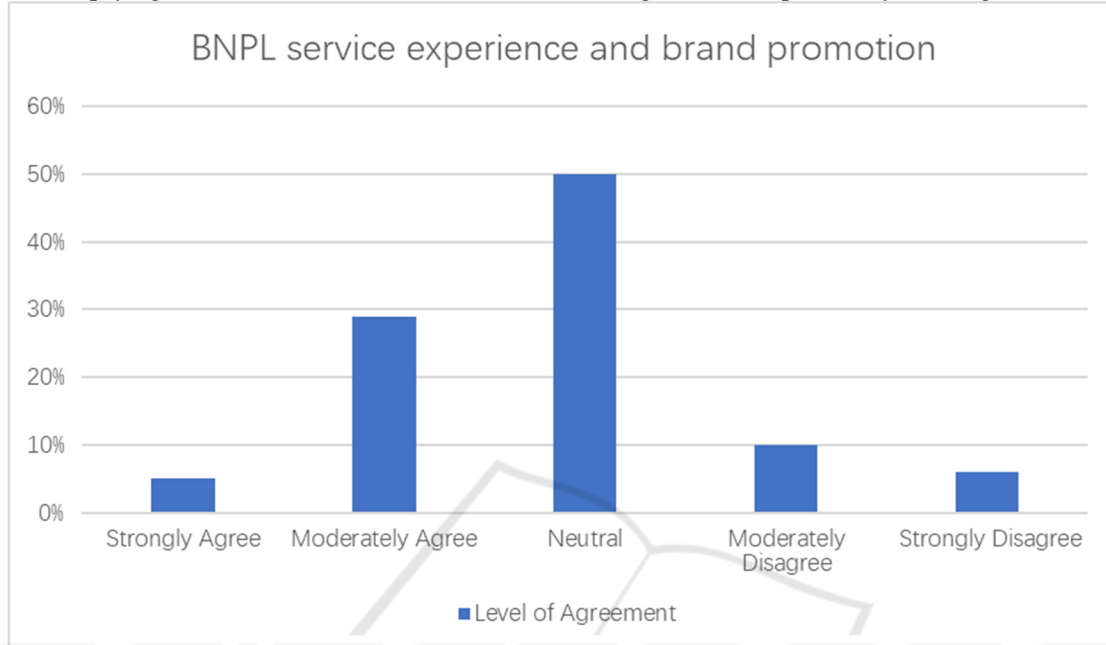


Figure 4: Buy Now, Pay Later service experience and brand promotion.

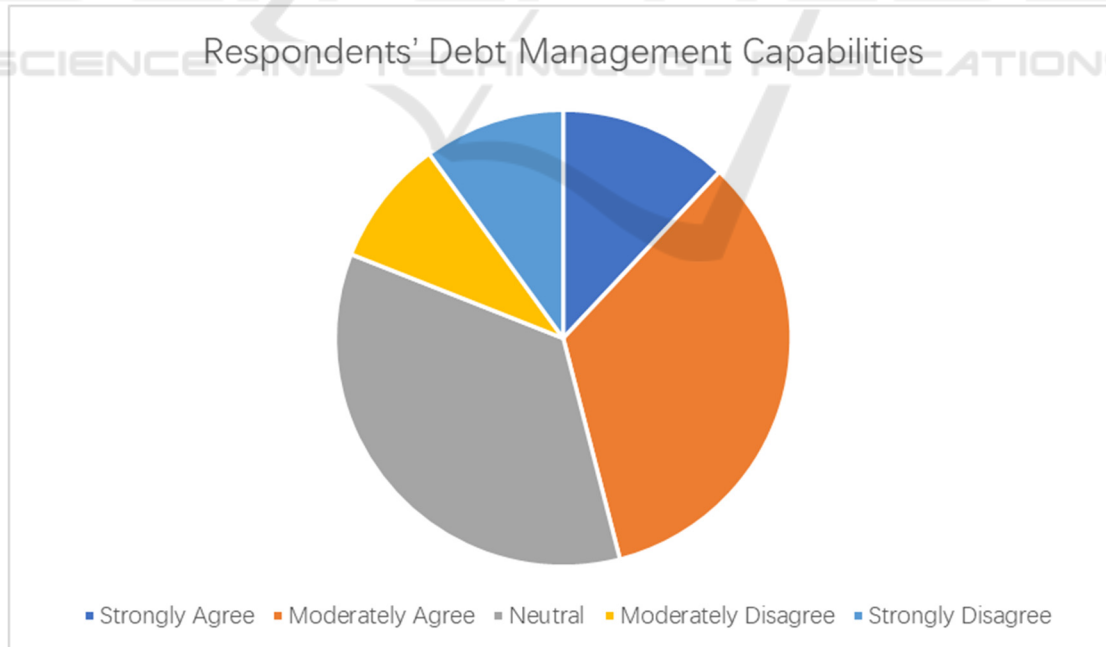


Figure 5: Respondents' Debt Management Capabilities

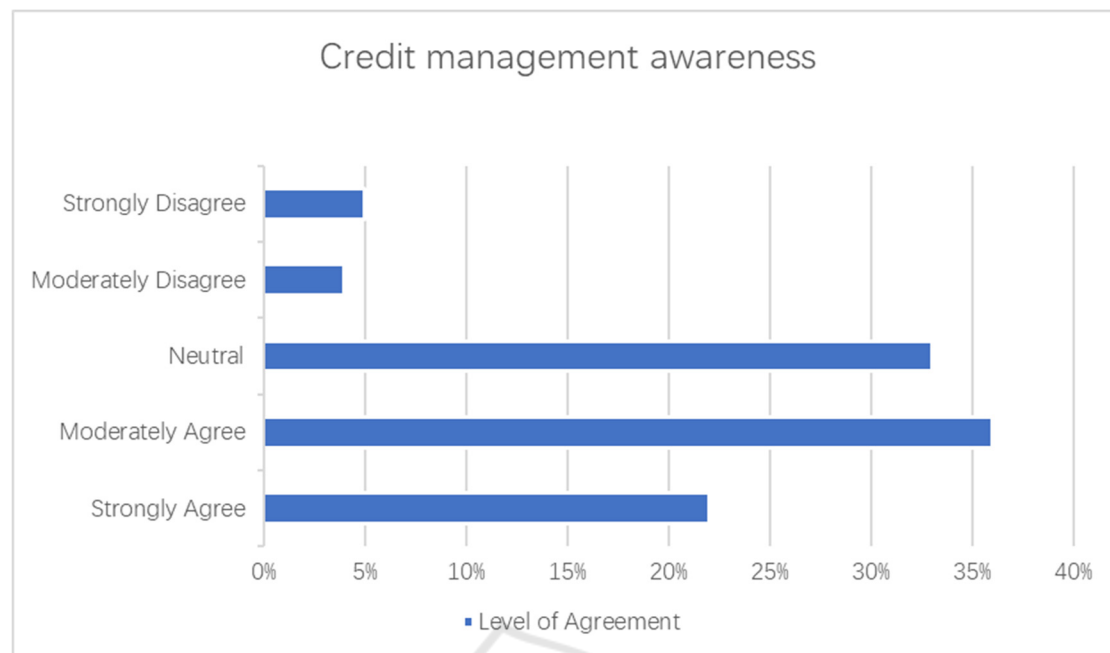


Figure 6: Credit management awareness

5 SUGGESTIONS FOR THE BNPL PLATFORM

5.1 Transparency Enhancement and Process Optimization Strategies

Regarding interactive repayment calculator, BNPL platform can choose to embed an interactive repayment calculator (such as slide to select the number of installments, and display the total fee in real time) when users choose the installment plan. Based on prospect theory (Kahneman & Tversky, 2013), consumers exhibit heightened sensitivity to losses. The platform must convert abstract interest into specific amount comparison to reduce users' neglect of hidden costs.

Regarding step-by-step disclosure process, BNPL platforms should reference to the step-by-step prompt rules of the EU Consumer Credit Directive, and display key information (such as total repayment amount, overdue fee rate) in a mandatory pop-up window before payment, and strengthen attention allocation through color marking (red highlights risk items).

Regarding Simplify the refund and dispute process, BNPL platform can learn from PayPal's one-click dispute resolution function (Hapsari et al, 2021), allowing users to directly freeze repayments for

disputed bills and initiate platform arbitration, shortening the processing cycle to within 72 hours.

5.2 Data Security Reinforcement and Transparent Credit Assessment Mechanisms

Regarding credit score report, The BNPL platform must open detailed dimension weights of credit review to users and generate personalized improvement suggestions.

Regarding Third-party security certification disclosure, The BNPL platform must display the compliance mark certified by the relevant country or authoritative agency on the homepage, and pass independent audit reports (such as publishing the Annual Data Security Report every year to enhance user trust)

5.3 Intuitive Interface Design and Regulatory Transparency

Regarding cognitive load management in design, The BNPL platform can choose to use Fitts's law to optimize the button layout, place core functions (such as Repayment Calendar and Expense Description) in the hot zone (lower right side of the screen), and highlight the entrances such as Expense Description

to increase the user's active consultation rate on installment costs and default consequences.

Regarding Embedded rule prompts, The BNPL platform must insert a 15-second video at key operation nodes (such as before Confirm Installment) to explain the interest calculation rules in the form of animation.

Regarding Scenario-based risk simulation model, After the user of the BNPL platform inputs the monthly income and consumption plan, the system automatically generates a dynamic curve of debt accumulation and compares it with rational consumption plans (Thaler, 1999).

5.4 Intelligent Consumption Limit and Debt Management Tools, Balancing Convenience and Risk Warning

Regarding Consumption limit, The BNPL platform must analyze the user's historical consumption, income fluctuations and repayment ability, dynamically adjust the credit limit, and trigger an early warning before exceeding the limit.

Regarding Debt consolidation, The BNPL platform must automatically recommend a low-interest debt consolidation plan when the user's cross-platform installment debt exceeds the threshold, and link third-party credit data to verify the feasibility.

Regarding self-regulation mechanism, The BNPL platform must allow users to independently set a cooling-off period (such as single consumption exceeding 3,000 yuan requires 24 hours confirmation) or installment frequency limit (such as maximum 2 installments per month). Use 15-point type for the title, aligned to the center,

6 SUGGESTIONS FOR CONSUMERS

6.1 Understanding of the Fee Rules and Avoidance of Hidden Cost Traps

Disassemble the total cost of installments: Before choosing installments, users of the BNPL plan should clearly understand the total payment amount (including interest and handling fees) shown on the platform and use calculation tools to cross-verify whether service fees or additional fees are charged (Thaler & Sunstein, 2008).

6.2 Management in Credit to Avoid Long-Term Negative Impacts

Regarding Check credit reports regularly, BNPL users must check installment repayment records monthly through the central bank's credit reporting system or third-party platforms (such as Sesame Credit) to ensure timely performance.

Regarding Prioritize repayment of high-cost debts, such as high-interest debts, if the BNPL users are multiple installments at the same time, prioritize repayment of debts with high interest rates and short terms to reduce total interest expenses.

Regarding Negotiate to repair credit, If the BNPL users are unexpectedly overdue, immediately contact the platform to apply for remedial measures (such as deleting bad records after paying penalty interest) and keep a written agreement.

6.3 Data Access Minimization and Personal Information Safeguarding

Regarding Limit the scope of data openness, only authorize the platform to provide necessary information (such as blurring some fields of the ID card number), and close non-essential permissions such as long-term tracking of consumption records (Acquisti, 2015).

Regarding Regularly review data permissions, the BNPL users must check the platform's data call records through the mobile phone system (such as iOS privacy report, Android permission management) every month, and revoke authorization immediately if abnormalities are found.

With the help of decentralized data management applications (such as My Data), the BNPL users must selectively share consumption records to avoid excessive collection of information by the platform.

7 CONCLUSIONS

Through the research questionnaire on the BNPL service, the following conclusions are drawn: the trust building of the BNPL model needs to take into account both functional reliability and user security perception, the stability of the psychological contract depends on the transparency and shared responsibility within the BNPL rules. And there is something suggested to be given insight to. This research lays the foundation for it.

This research found that the sustainable development of this business model essentially relies

on trust relationships through research on BNPL services. On the one hand, it is necessary to actuarially precise repayment simulators through precise repayment simulation tools, mandatory step-by-step disclosure processes, and intelligent dispute resolution mechanisms. On the other hand, it is necessary to cryptographic transparency mechanisms through authoritative security authentication disclosure, encryption algorithm transparency explanation, and user data minimization authorization mechanisms. In the current BNPL model, the core of brand value has shifted from traditional transaction efficiency to dynamic maintenance of trust relationships. This transformation reveals the essential changes in the relationship between brands and consumers in the digital economy. When Buy Now Pay Later become the norm, the competitiveness of brands no longer depends solely on their ability to supply goods, but on their ability to transform technological tools into trust foundation and reshape the stickiness of psychological contracts within the framework of risk sharing.

AUTHORS CONTRIBUTION

All the authors contributed equally and their names were listed in alphabetical order.

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