# Buy Now, Pay Later and the Digital Lifestyle: An STP Analysis of AlloBank's Strategy for the Gen Z Market

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## ABSTRACT

Generation Z has now entered adulthood, where they begin to make independent financial decisions. At this relatively young age, their attachment to a particular brand or financial product is still in the process of forming. Therefore, it is important to understand the characteristics of Gen Z and the factors that attract them to a product, including financial ones. This paper examines the characteristics of Gen Z and the marketing strategy of AlloBank, a digital bank offering a Buy Now Pay Later (BNPL) product called Allo Paylater. Through descriptive statistical analysis and content analysis, the STP strategy used by AlloBank to market its BNPL product is analysed to assess its alignment with the Gen Z target market. The paper highlights how Gen Z behaviour such as impulsive buying, preference for promotion, and openness to new digital platforms influence their financial decisions. Findings indicate that AlloBank has done its effort at targeting Gen Z but still has room for improvement through personalisation, engagement, and responsible usage features. In addition to that, strengthening credit risk management through improved scoring models and user education is critical for the long-term sustainability of Allo Paylater. These insights provide practical recommendations for digital banks aiming to scale BNPL products while maintaining financial stability and building lasting relationships with younger users.

**Keywords:** BNPL, STP, Generation Z

## INTRODUCTION

In recent years, the development of digital technology has successfully revolutionised various sectors–including the financial sector. In Southeast Asia, Indonesia stands out as one of the most dynamic markets in adopting financial technology (fintech). The growth of internet penetration, a large youth population, and relatively low levels of financial inclusion have created substantial opportunities for fintech companies to innovate and reach previously underserved communities excluded from traditional financial systems.

One of the main challenges in Indonesia is the limited access to formal financial services particularly among low-income society and those living in rural areas. According to the Financial Services Authority (Otoritas Jasa Keuangan or OJK), while financial inclusion has improved in recent years, a gap remains between access to basic financial services and access to more complex financial products like credit or insurance. In this context, the emergence of new business models by fintech

companies–such as Akulaku, Kredivo, Indodana, Atome, and others–has become both relevant and worth exploring.

Even though Akulaku was one of the early pioneers of Buy Now, Pay Later (BNPL) services in Indonesia, the landscape has since evolved with digital banks like AlloBank entering the market with new positioning and value propositions. AlloBank is building services tailored to a younger generation– especially Gen Z–by combining digital banking with embedded lifestyle financing such as BNPL. The shift to integrated digital finance reflects a trend of innovation in product development, business model strategy, and user targeting.

The adoption of BNPL services in Indonesia is already considered widespread. According to Indonesia Fintech Trends Report by Jakpat, 35% respondents reported using BNPL platforms, with over 65% citing speed, ease of use, and simple terms as their primary motivations. Many users turn to BNPL for urgent needs or to pay other bills–indicating that BNPL is not only a convenience tool but also a critical financial utility, especially for younger, budget-conscious users.

This study aims to analyse how AlloBank applies Segmentation, Targeting, and Positioning (STP) strategies to promote its BNPL service, AlloPaylater, to the Gen Z market. By using the STP framework, this research will explore how AlloBank identifies Gen Z's unique preferences, digital behaviours, and financial needs, and how it positions AlloPaylater as both a financial tool and a lifestyle enabler. The paper also investigates how AlloBank's approach aligns with broader goals of financial inclusion and innovation in emerging markets like Indonesia.

The paper is expected to contribute both theoretically and practically. From an academic perspective, it enriches the literature on digital financial innovation in emerging markets. Practically, it serves as a reference for managers and decision makers in fintech in designing effective strategies that align with market needs and digital consumption habits.

With this rationale, the paper not only explores the strategic efforts behind AlloBank's AlloPaylater, but also provides new insights into how digital banks can create long-term value through innovation, inclusion, and strategic alignment with Gen Z digital lifestyle.

## LITERATURE REVIEW

### BNPL

Buy Now Pay Later is a payment method that makes it easier for users to pay for or purchase a product or service by paying in installments over a certain period of time, rather than having to pay in full upfront (Raj et al., 2023). The Buy Now Pay Later method is actually similar to other payment methods such as credit cards. However, despite these similarities, credit cards and Buy Now Pay Later differ in payment arrangements and the interest fees charged to customers. Buy Now Pay Later typically does not charge interest fees on customer purchases within a certain payment period. This is because the purpose of the Buy Now Pay Later payment method itself is to provide flexibility and convenience for its users compared to credit cards (Raj et al., 2023).

Generally, signing up for Buy Now Pay Later is easier than signing up for a credit card. Typically, for credit card applications, banks require a minimum income requirement and conduct a credit score check before approving an application. Buy Now Pay Later, on the other hand, has a simpler registration process because it's typically based solely on a mobile app, making it more accessible to potential users, whether they already have a good credit history or even those without any credit history at all.

The Buy Now Pay Later method in Indonesia is currently one of the most frequently used payment methods. Based on Jakpat data (2024), the largest representation of Buy Now Pay Later users is those in the 30 to 34 age group. According to Jakpat, the largest number of Buy Now Pay Later users also come

from Java and are classified as middle socioeconomic class. To date, many Buy Now Pay Later products have been present in the financial technology industry in Indonesia. Some come from stand-alone products such as Kredivo, Akulaku, Indodana and others. However, there are also Buy Now Pay Later services that started as E-Wallet services that expanded businesses such as Gopaylater, Ovo PayLater, Spaylater and others. Currently, several banks have begun to provide Buy Now Pay Later services within their products, examples are Allo Bank with its Allo PayLater and Bank BRI with BRI Ceria.

## Generation Z

Generation Z are those born between 1997 and 2012. Generally, Generation Z in Indonesia is very digitally savvy, this is because they are essentially digital natives. This then influences their habits in using financial applications. According to Jakpat data (2024), 56% of Gen Z respondents stated "easy to use" as their reason for choosing to use financial technology applications. This was followed by "user-friendly application" at 50%. This illustrates that Generation Z considers the ease and convenience of the application's UX/UI when choosing to use fintech applications.

Based on OJK administrative data reported by Kompas, 43.9% of all PayLater contracts are held by Gen Z. Their transaction sizes tend to be dominated by fashion (66%), household goods (52%), and electronics (41%). This suggests that Gen Z's use of PayLater is driven more by lifestyle than functional or utility needs (Ika, 2024). A study by Sampeallo et al. (2025) shows that BNPL is highly sought after by the younger generation in Indonesia, but also presents challenges in terms of risk management and financial literacy.

## STP: Segmentation, Targeting, dan Positioning

The STP (Segmentation, Targeting, and Positioning) approach is a highly relevant marketing strategy framework for designing more targeted communications and product offerings in the digital era. In the context of marketing digital financial products such as Buy Now Pay Later (BNPL), STP helps companies understand consumer needs and build more personalized relationships through a detailed understanding of market segments (Kotler & Keller, 2016). In the case of Gen Z, their characteristics as digital natives who are highly responsive to technology, digital promotions, and service convenience are the main basis for forming effective segmentation.

Targeting strategies allow companies to select one or more segments deemed to have the greatest potential for development. Gen Z is an attractive target for financial service providers because they demonstrate rapid adoption of new technologies but lack strong preferences for specific financial brands, making them more open to digital innovation. Positioning then serves to build positive perceptions and differentiation in the minds of consumers. In BNPL marketing, positioning that emphasizes convenience, flexibility, and accessibility is a common strategy employed by many providers, especially when targeting the younger, more consumer-oriented segment with a digital lifestyle.

Thus, the STP approach provides a robust conceptual framework for companies developing market penetration strategies, including in the fintech and digital banking industries. The effectiveness of this approach depends heavily on accurate segment understanding and consistent value delivery through relevant positioning.

## RESEARCH METHOD

### Subject

This paper discusses financial technology, specifically BNPL products, from the perspective of STP strategy. The focus of this paper is AlloBank, a digital bank originally from Indonesia, and its strategy to market its Buy Now, Pay Later (BNPL) product, AlloPaylater, to Generation Z consumers. This study

defines Gen Z as individuals born between 1997-2012. Gen Z represents a key demographic segment for digital financial products because they are digital natives and still in their early phase of building loyalty to products.

AlloBank was first established in 1992 as PT Bank Arta Griya and became PT Allo Bank Indonesia Tbk later. Its vision is to be "the best general bank based on digital services through an all-in-one application by utilizing its ecosystem to provide maximum added value" and its mission to "to provide innovative digital banking products and services integrated with an ecosystem that offers seamless customer experience and delivers high added value to all stakeholders."

Its vision and mission are further implemented through several financial services. Its services include e-wallet, e-savings, deposito, BNPL, and so on. To support customer retention, AlloBank also offers loyalty programs such as membership, points, and coupons.

### Data Collection

This paper uses both primary and secondary data sources. The primary data was obtained by purchasing a dataset from a survey company. The dataset contains information related to customers' perception of digital financial services. Meanwhile the secondary data were collected from AlloBank website and its 2024 annual report. The secondary data provides insight into AlloBank STP strategies.

### Data Analysis

The primary data was analysed with descriptive statistical analysis to illustrate Gen Z consideration when choosing fintech services. In addition, this paper employed qualitative content analysis based on secondary data interpretation of patterns and themes in the subject website and report. Both data were then interpreted through the perspective of the STP framework to examine how AlloBank implemented its segmentation, targeting, and positioning strategies.

### RESULTS & DISCUSSION

To understand how AlloBank markets its AlloPaylater product to Gen Z, this section will discuss the findings and analysis using the Segmentation, Targeting, and Positioning (STP) approach. The STP approach is important in the context of digital banking because it provides a strategic framework for understanding the unique preferences of the targeted market segments, particularly Gen Z, who have different digital consumption behaviors compared to previous generations. Using secondary data from industry reports, media publications, and findings from official sources such as the OJK and Jakpat, this analysis aims to identify how AlloBank develops its marketing strategy based on the characteristics of the Gen Z segment, determines an appropriate targeting approach, and builds product positioning relevant to their digital lifestyle. The explanation in the following section will be systematically outlined based on the three main pillars of the STP framework: segmentation, targeting, and product positioning in the minds of consumers.

### Segmentation Strategy of Allobank

The concept of segmentation is the initial foundation of the STP strategy because it allows digital banks to divide large, heterogeneous markets into homogeneous clusters with similar responses to marketing stimuli. In the case of Indonesia, a country with 279 million people in 2025, Generation Z (born 1997-2012) contributes ±26.6% of the population or 74 million people, the second highest after Millennials (Badan Pusat Statistik, 2025). Demographically, AlloBank has the opportunity to base a young productive age group (18-27 years) who are just starting to have purchasing power but are not yet tied to formal credit institutions. Geographically, it can focus on tier 1 and 2 cities such as Jakarta, Bandung, Surabaya, Medan, Makassar which accommodate household internet penetration of >85% (Badan Pusat Statistik, 2025).

From a psychographic perspective, Allo Bank and Allo Pay Later's segmentation can be sharpened through the characteristics of Gen Z, who tend to be "mobile-first" and "experience-seeking." This aligns with a report by Jakpat (2024), where 56% of Gen Z respondents ranked "ease of use" as the number one reason for choosing a fintech app, followed by a user-friendly interface (50%).
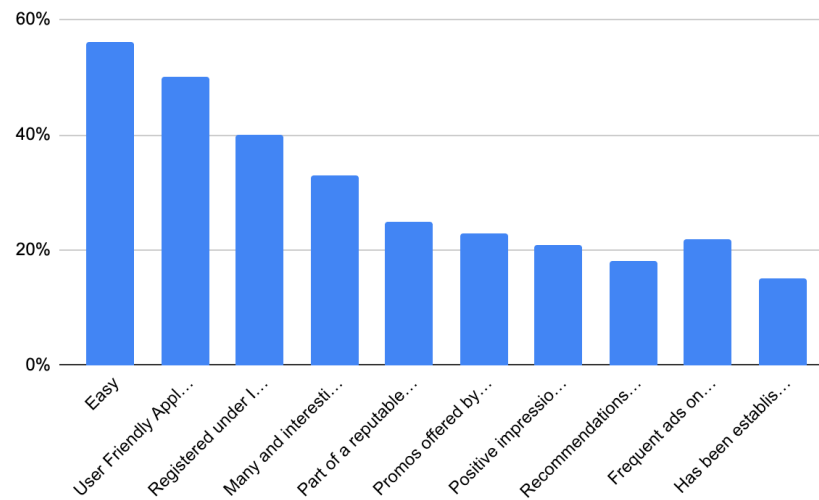


Figure 1. Consideration in Choosing Fintech Platform by Gen Z

Source: Jakpat, 2024

In terms of consumption behavior, Gen Z is known to highlight three characteristics: (1) impulsive shopping based on Fear of Missing Out (FOMO), (2) preference for promos/cashback, (3) willingness to try new brands. OJK data quoted by Kompas shows that 43.9% of pay-later contracts as of April 2025 were held by Gen Z, with spending composition of 66% on fashion, 52% on home living, and 41% on electronics (Kontan, 2025). This confirms that the younger segment views BNPL not just as a credit tool, but enables lifestyle.

Allobank has several features that align with the findings above, combining digital savings, e-wallets, and buy now pay later in one mobile app. This provides ease and convenience for its users, especially Gen Z, whom they target as one of their primary user segments.

Based on the 4V segmentation framework (value, variance, venue, and vogue), AlloBank emphasizes "vogue" or the brand's connection to online trends and communities. For example, a concert ticket bundling collaboration via AlloPaylater, launched with the promoter WeTheFest 2025, targets the music enthusiast sub-segment. Meanwhile, a venue-centric partnership was established with Transmart and Coffee Bean (part of the CT Corp ecosystem), offering a 15% discount for paying with AlloPaylater, relevant to the daily casual spender sub-segment.

The combination of demographic data, internet penetration, and consumption behavior validates AlloBank's decision to select urban Gen Z as its core BNPL segment: large-scale, digitally ready, yet credit underserved. Thus, the segmentation phase has set the stage for a sharper targeting strategy.

**Targeting Approach**

Once segments were identified, AlloBank adopted concentrated targeting, focusing marketing resources on a single priority cluster rather than multiple segments. The primary rationale for this approach is economies of focus: the cost of acquiring young users with long lifetime value is projected to be more efficient than pursuing cross-generational targets. EY (2021) emphasized that Gen Z is not yet loyal to a particular financial institution, so there is still ample room to capture mind share.

AlloBank's targeting strategy is implemented through three pillars. First, digital immersion campaigns AlloBank is increasing its digital presence on platforms like TikTok and Instagram, utilizing a more influencer-driven approach than traditional media. This strategy aligns with the fintech industry trend of leveraging organic content and micro-influencers to engage Generation Z.

Second, contextual merchant targeting. Exclusive alliance with Trans Studio and Transmart gives preferred checkout button "Pay with AlloPaylater" at offline outlets. According to Kontan data, this collaboration increased AlloBank's outstanding Paylater to IDR 7 trillion as of April 2025, a 26% year-on-year growth (KONTAN, 2025).

Third, frictionless onboarding AlloBank designed a fast and easy onboarding process with direct app-based e-KYC, without the need for physical documents, to make it easier for Gen Z users.

Overall, AlloBank's targeting strategy proved to be consistent with Gen Z's characteristics, which value speed, personalization, and authenticity. The next challenge is ensuring the positioning message truly resonates with this segment, which will be discussed in the following section.

## Positioning Of AlloPayLater

Positioning is the effort to instill a unique product image in the minds of target consumers. AlloBank positions AlloPaylater as a "safe, instant, and digital lifestyle-aligned everyday credit solution" that combines the trust of banking institutions with the flexibility of fintech. Differentiation is built through value propositions:

## Bank-Backed Security

Unlike Kredivo or Akulaku, which operate as financing companies, AlloPaylater is issued by PT AlloBank Tbk, a BUKU IV bank with OJK supervision and LPS guarantee. This adds significant credibility to Gen Z, who are increasingly aware of data security issues.

## One-Stop Digital Lifestyle

The AlloBank application accommodates daily interest savings, e-wallet, and merchant voucher. According to the 2024 Annual Report, 67% of AlloBank BNPL users also regularly use the "AlloSaku" micro-savings feature, creating a closed ecosystem that increases switching cost (Allobank, 2024).

Positioning communication is executed through the slogan "#AlloPayLaterinAja," a narrative that normalizes BNPL as a reasonable means of meeting daily needs without friction. This slogan is used uniformly in OOH advertisements, TikTok feeds, and app push notifications.

Early results confirm successful positioning: Allo Bank's credit grew 1.7% YoY to Rp6.95 trillion as of Q1-2025, with management citing AlloPaylater as a key driver (KONTAN, 2025). Outstanding paylater, which reached Rp7 trillion (in April 2025), demonstrates strong market acceptance (KONTAN, 2025).

However, the "safe & lifestyle" positioning requires AlloBank to maintain a balanced image: being too "banky" can be perceived as rigid by Gen Z; being too "fun" can reduce perceived credibility. Managing brand communications across touchpoints, including chatbot-based customer service with a response time of <60 seconds, is crucial to maintaining a differentiated position.

## Strategic Implication & Challenges

The success of AlloBank's STP has strategic implications for the sustainability of BNPL businesses in digital banks. First, risk-return trade-off. Although AlloPaylater's NPL of 1.1% (Q1–2025) is lower than the industry average, the 26% year-on-year surge in outstanding balances could increase risk exposure if the macro cycle worsens. The Financial Services Authority (OJK) warned that total bank paylater growth

would reach IDR 21.3 trillion (April 2025), outpacing traditional consumer credit growth (KONTAN, 2025). AlloBank must strengthen alternative scoring models for example, utilizing e-commerce data and telco scoring to maintain portfolio quality.

Second, aspects of financial literacy. The OECD (2023) assessed that global youth financial literacy remains low; only 11% of students are able to solve more complex money problems (Borrett, 2024). A similar situation is reflected in the Deloitte Survey 2025: 48% of Gen Z feel "financially insecure" (Deloitte, 2025). Without adequate education, BNPL is vulnerable to encouraging overspending, which risks business sustainability. AlloBank can mitigate this with a module in-app financial tips, webinar Gen Z Money Talk, and integration/spending cap alert.

Third, competitive tension. Kredivo has 9.4 million active users (May 2025) and has started partnering with BankJago as its partner. Co-branding like ShopeePayLater is even embedded by default in major e-commerce apps. AlloBank must expand its non-CTCorp merchant network so that its "bank-backed lifestyle" positioning isn't perceived as limited. Potential collaborations with GoFood, Tiket.com, or online education providers would expand use cases and retention.

Fourth, regulatory horizon OJK is currently formulatingBank BNPL Regulations which increased the risk-based capital ratio (CAR) for the paylater portfolio to above IDR 5 trillion.risk weightThere are concerns that this will put pressure on digital bank margins. Therefore, AlloBank needs to balance fee-based income (from MDR merchants) versus interest income to maintain competitive ROA.

Fifth, sustainability & ESG angle NielsenIQ (2022) confirmed that 72% of Gen Z Indonesians are more loyal to brands that demonstrate social responsibility. AlloBank can add value with its features like Carbon Footprint Tracker in fashion or travel pay later transactions, inviting awareness of sustainable consumption and reducing churn.

Overall, AlloBank's STP success opens up opportunities for scale, but sustainability requires synergy between technological innovation, risk management, and financial literacy empowerment. Without these pillars, popularity among the Gen Z segment has the potential to be a double-edged sword: rapid growth but vulnerable to shocks when the market saturates or regulations tighten.

## CONCLUSION

The rapid development of digital technology and high internet penetration in Indonesia has created huge opportunities for the digital financial sector, including financial services Buy Now Pay Later (BNPL). In this context, AlloBank has emerged as one of the players striving to respond to the needs of young consumers, particularly Generation Z, through innovative BNPL services integrated into the digital banking ecosystem.

This study shows that the approach Segmentation, Targeting, and Positioning (STP) implemented by AlloBank is quite relevant in reaching Gen Z. Through segmentation based on age, digital preferences, and lifestyle-based consumption habits, AlloBank successfully mapped the characteristics of Gen Z as a group that wants fast, flexible services that are integrated with their digital lifestyle. The targeting strategy that emphasizes the use of digital channels such as social media, collaboration with influencers, and visual communication that suits Gen Z's aesthetics, strengthens the appeal of AlloPaylater. Meanwhile, AlloPaylater's positioning as a modern, flexible, and user-friendly financial service also strengthens the positive perception of the AlloBank brand in the minds of young consumers.

However, the effectiveness of this strategy is not without its inherent challenges. One of these is the risk of low financial literacy among Gen Z and the potential for overuse, which can lead to debt problems. Therefore, an aggressive marketing strategy must also be balanced with adequate financial education.

This study contributes to the literature on fintech marketing strategies in Indonesia, as well as offering an empirical overview of how digital banks can design an adaptive approach to the characteristics of the younger generation in the digital economy era.

## RECOMMENDATIONS

Based on the analysis above, it is highly recommended that AlloBank tailor products according to Gen Z characteristics and strengthen its risk management. It is vital that adjustments for Gen Z characteristics are shown in engagement and loyalty programs. Recommended programs include personalised promos and cashback, gamified savings and spending feature, collaborations with micro-influencers, and FOMO-driven campaigns. On the other hand, alongside strong growth, AlloBank must ensure sustainability by implementing risk mitigation measures such as developing advanced credit scoring models, introducing adjustable credit limits, and providing education that promotes responsible usage.

## ACKNOWLEDGEMENTS OR NOTES

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