

Affirm and Klarna embark on new growth opportunities as the BNPL space heats up

Article

Affirm and Klarna both moved to strengthen their positions in the buy now, pay later (BNPL) market, which is expected to reach [\\$680 billion](#) by 2025, per Kaleido Intelligence.

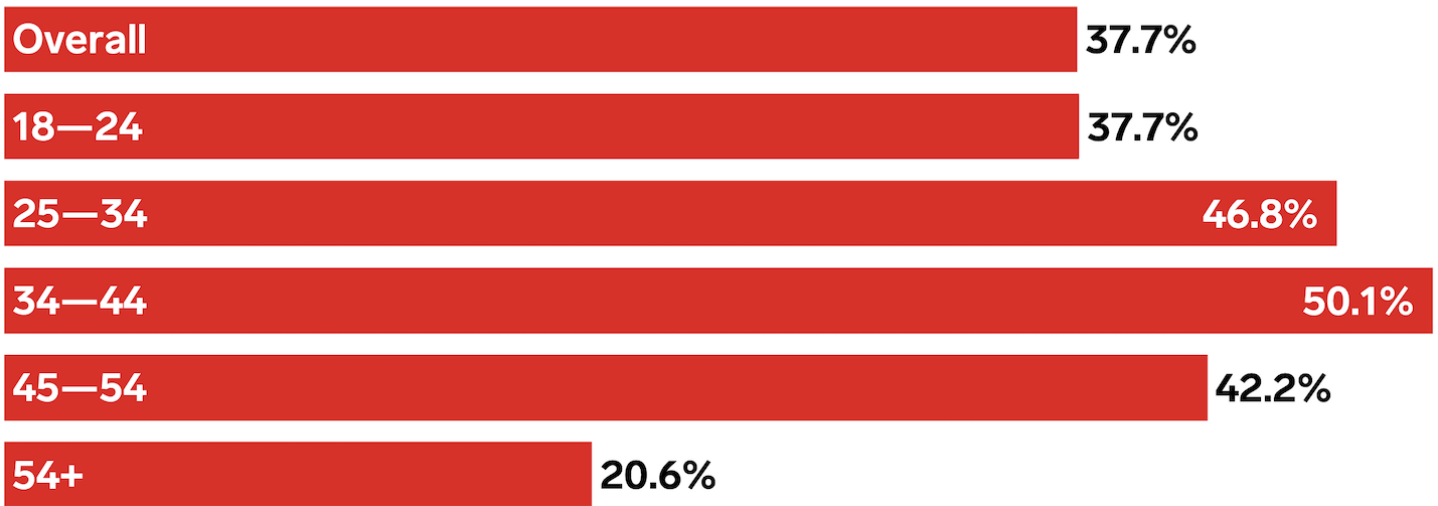
Here's the scoop:

- **Affirm and Shopify made Shop Pay Installments [available](#) to all US Shopify merchants.** Shopify began [testing](#) the Affirm-powered BNPL solution last summer. The integration lets approved customers split purchases into four biweekly, interest-free payments. Affirm's partnership with Shopify—which works with more than [1.7 million](#) global merchants—could further boost its volume: Affirm's gross merchandise volume grew [83%](#) year over year (YoY) in its fiscal Q3 (ended March 31, 2020). It'll also help boost the platform's user base, which is projected to hit 6 million in the US this year, [per](#) Insider Intelligence forecasts.
- **Klarna [raised](#) \$639 million in funding, bringing its valuation to a whopping \$45.6 billion.** This cash injection follows a [\\$1 billion](#) funding round in March. The Sweden-based firm says the funding will go toward global expansion. The cash injection should also help sustain growth from Q1: Klarna's gross merchandise volume grew 90.9% YoY in the period, hitting \$18.9 billion. It may also help the firm reach a larger user base, which is expected to climb to 21.9 million in 2021, [per our](#) forecasts.

BNPL keeps getting more popular. In July 2020, 37.65% of US adults had used a BNPL service—by March 2021, that figure shot up to 55.8%, [per](#) The Motley Fool, indicating a substantial [rise](#) in consumer demand and adoption. And that momentum will likely continue: More than 50% of consumers who haven't used a BNPL service are at least somewhat likely to use it in the next year, according to Fool. Affirm's and Klarna's recent moves should help them capitalize on growing BNPL popularity as they bring their solutions to more customers.

But competition is fierce—making growth opportunities all the more important. Affirm, which once dominated the US BNPL market, has quickly lost US market share to foreign players: In Q4 2018, Affirm accounted for 78% of US BNPL app downloads, but by Q1 2021, that figure had deflated to just 16%, with Klarna and Afterpay each marking up 34% and 26% of BNPL app downloads, respectively, [according to](#) Sensor Tower. [In-store expansion](#) and [mobile solutions](#) in part helped Klarna pull more customers into its ecosystem and quickly become a formidable competitor in the BNPL space. Meanwhile, firms like [Uplift](#) that capture niche sectors such as travel in the BNPL market and are also contributing to heightened competition. Affirm's Shopify partnership should help it regain market share by tapping into a larger pool of customers, and Klarna's recent funding might go toward developing additional retail solutions as it looks to expand its global footprint, boosting market share.

Share of US Consumers Who Have Used a BNPL Service



Source: *The Motley Fool, 2020*

Methodology: *The Ascent distributed the survey via Pollfish to 1,862 US consumers ages 18+ on July 7, 2020. Efforts were made to create a representative sample, but no strict statistical testing was performed.*

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