

Affirm explores subscriptions to boost profitability efforts

Article

The news: Affirm is reportedly considering a subscription service called **Affirm Plus**, [per](#) Bloomberg. Code for the service was discovered in the company's iPhone app.

- Affirm Plus would guarantee a 0% annual percentage rate (APR) on installment loans up to \$2,500. Affirm currently offers rates between 0% to 36%.

- The service would also include a 4.75% annual percentage yield (APY) for its savings accounts, up from 4.35%.

Why this matters: A subscription service could help Affirm overcome the profitability struggle BNPL fintechs face.

- The traditional BNPL model is a very low-margin business, and intense competition and growing scrutiny over fees have made it even harder for fintechs to achieve profitability.
- And higher interest rates have raised funding costs for providers, squeezing those margins even further.
- Just last week, we wrote about how [Klarna is leaning into affiliate marketing revenues](#) to boost profits. And it worked: Klarna achieved profitability in May—its first month of profit since August 2020, per its H1 2023 results.
- Like Klarna, Affirm is also hoping to diversify its revenues, but it's just taking a different strategy by banking on subscription revenues and the [Affirm Card](#).

Will it work? Affirm will reportedly charge \$7.99 per month for the service.

Affirm Plus would bring in a new and consistent revenue stream for Affirm. But the BNPL provider will need to weigh the risks of a potentially large increase in 0% APR loans, especially since many consumers struggle to make their BNPL payments on time. There's also a risk the subscription revenues won't bring in enough to make up for the loss of interest revenues.

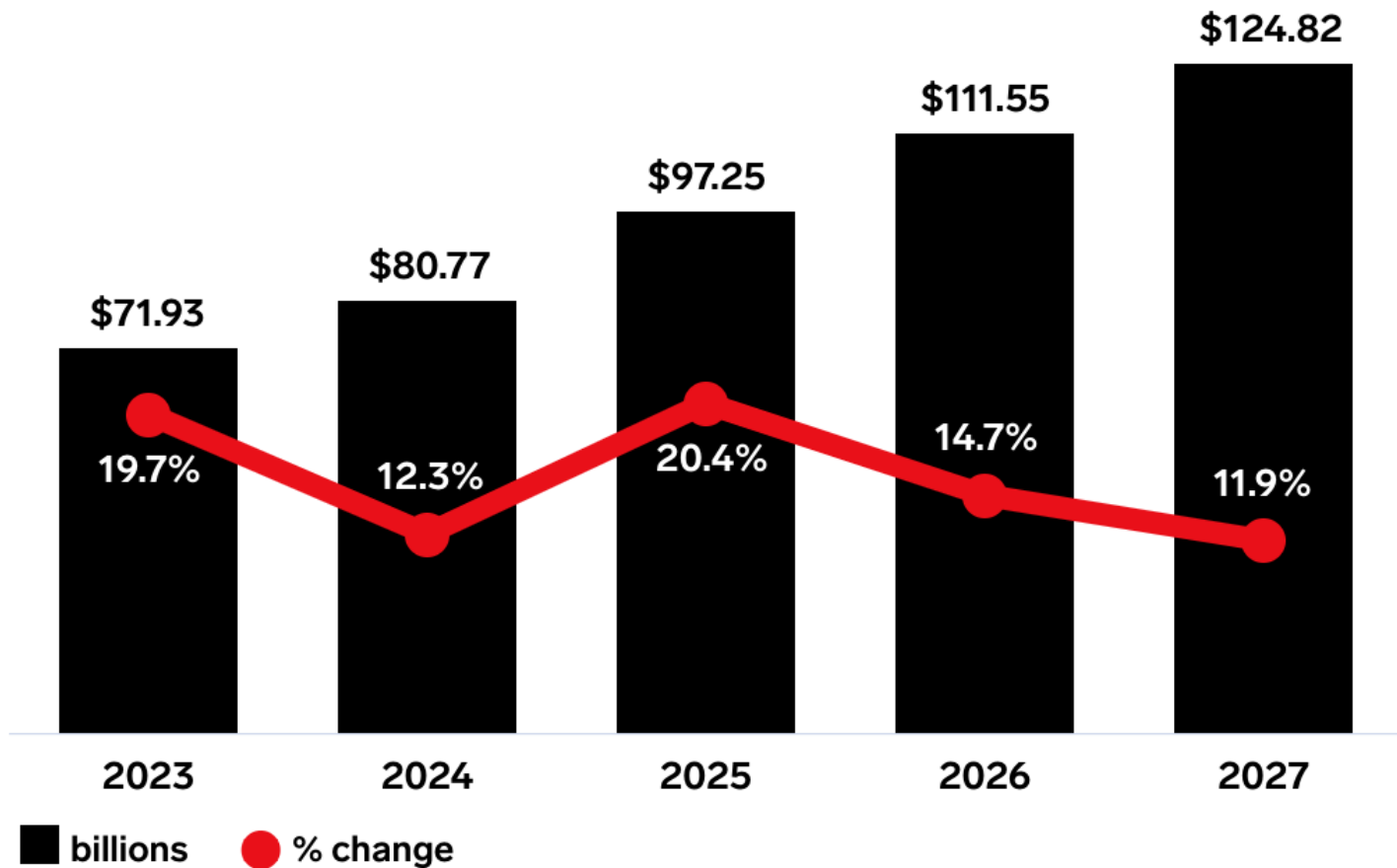
The bigger picture: Affirm isn't the first financing provider to offer a subscription.

- **Sezzle** [launched a similar subscription](#) service in June called Sezzle Pay Anywhere, which lets users make purchases in four interest-free repayments spread over 6 weeks anywhere **Visa** is accepted. The service targets financially underrepresented consumers who want to build their credit.
- And this subscription trend has extended into the credit card space as well. The [TD Clear card](#) is a subscription-based credit card that doesn't charge interest.

The takeaway: BNPL is reimagining how consumers access credit as providers explore new fee and interest models. We expect this will have a bigger impact on the credit card space as BNPL players continue to push the envelope.

Buy Now, Pay Later Payment Value

US, 2023-2027



Note: includes products or services paid with a buy now, pay later service platform; excludes payments such as bill pay, taxes, or money transfers, gambling and other vice goods sales

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Insider Intelligence | eMarketer

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