

Apple's in-house financial services drive is a gamble, but it could pay off

Article

The news: We told you [yesterday](#) about Apple's reported plans for a suite of financial services dubbed "Breakout." Today, we're looking at what the stakes are for Apple—and how the tech

giant can pull the multiyear plan off.

What it means: Breakout would turn Apple into a larger player within financial services and **reduce its reliance on tie-ins** in the future. The move also signals a greater focus on in-house products:

- The financial services suite will help **Apple build a buy now, pay later (BNPL) program** that would enable short-term, four-installment loans. It could also inform other tools, like a long-term loan program. Apple's entry into the BNPL space would be a threat to existing providers because it already has a strong user base that would let it grab a sizable portion of the market.
- It may also help Apple with the international expansion of its payments products. Services like peer-to-peer payments, the Apple Card, and the Apple Cash Card are geographically restricted because partners like **CoreCard** and **Green Dot** focus on the US, limiting Apple's growth.

Will it work? Even by Apple's standards, plans to develop financial services internally are ambitious.

- Other Big Techs' plans to expand into new financial service lines have not always achieved success: **Meta abandoned** its struggling crypto venture, and **Google did** the same with its Plex bank accounts.
- Apple will have to compete in an already **crowded** payments industry. While we **forecast** Apple Pay will have 47.2 million users in the US this year and 54.5 million by 2025, this push could have it taking on major giants.

The big takeaway: Apple's plans for Breakout are a calculated risk—but if it can succeed, there are three core benefits:

1. **New users:** Apple can bring in new customers with these features—new services may appeal to consumers who previously didn't feel any need to adopt Apple Pay. This is similar to the method the firm used with its **digital ID** to boost Apple Pay's user base.
2. **Engagement:** Breakout and the rumored products may tie customers closer to iPhones, per Bloomberg, and the payments products they offer. Apple already has a **strong engaged audience**, which it can use as a springboard for success.

3. **Revenues:** A suite of proprietary technology could be lucrative for Apple because it won't have to share profits with partners and could open new revenue channels. **Apple Pay generates almost \$70 billion a year** for the company, per Bloomberg.

Although success is not guaranteed, Apple can use its loyal customer base, extensive know-how, and vast resources—like its many [acquisitions](#)—to build out its proprietary services and compete against more established financial players.

Which Payment Methods Have US Digital Buyers Used to Make Digital Purchases?

% of respondents, by demographic, Feb 2022

	Female	Male	18-34	35-54	55+	Total
Credit card	65%	56%	46%	62%	75%	61%
Debit card	57%	51%	62%	56%	43%	54%
PayPal	48%	51%	50%	51%	47%	49%
Gift certificate	22%	17%	18%	17%	25%	20%
Cash	13%	16%	25%	14%	6%	15%
Apple Pay	17%	11%	26%	12%	5%	14%
Venmo	11%	11%	16%	12%	5%	11%
Google Pay	9%	11%	13%	12%	6%	10%
Buy now, pay later/installment plan services (e.g., Afterpay, Affirm, Klarna)	13%	6%	16%	10%	3%	10%
App provided by retailer (e.g., Starbucks)	10%	7%	9%	10%	6%	8%
Walmart Pay	5%	7%	1%	5%	3%	6%
Other electronic wallets	3%	3%	4%	3%	3%	3%
Samsung Pay	2%	2%	3%	2%	1%	2%
Other	1%	1%	1%	0%	1%	1%
None of the above	1%	0%	2%	0%	0%	1%
Don't know	0%	0%	0%	0%	0%	0%

Note: in the past month/30 days

Source: "The Insider Intelligence Ecommerce Survey" conducted in February 2022 by Bizrate Insights, Feb 7, 2022

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