

Klarna and Affirm tout new partnerships despite market uncertainty

Article

The news: The two buy now, pay later (BNPL) companies signed deals to fuel growth amid a market squeeze fueled by recession fears.

Klarna expanded its partnership with Marqeta to bring physical cards to the US, per a press release.

- Klarna already offers cards in [the UK](#), Germany, and Sweden. The physical Klarna card lets customers pay for purchases in four interest-free installments online or in-store.
- Although Klarna already offers Marqeta-powered virtual cards that can be used in-store, physical cards may be [easier](#) and more convenient for customers: The virtual cards are single use and involve additional steps for in-store purchases.
- The physical card can help widen Klarna's sales net since customers won't be constrained to shopping only at its merchant partners. And it lets Klarna compete more aggressively with banks, which have [ramped up](#) their involvement with BNPL and generate significant revenues from cards.

Affirm made its BNPL product available to Stripe merchants, per a press release.

- Customers shopping at Stripe merchants that enable Affirm's Adaptive Checkout can spread out payments for purchases ranging from \$50 to \$30,000. Adaptive Checkout, which [launched](#) in September, shows customers a side-by-side comparison of BNPL options—biweekly or monthly payments—for each transaction at checkout.
- Affirm's partnership with Stripe builds on similar tie-ups with payment providers like [Fiserv](#) and [Verifone](#). These partnerships let Affirm scale its solution to merchants and customers more easily and at a lower cost than signing merchants directly.
- Stripe is particularly beneficial to Affirm because of its vast merchant reach: The paytech works with millions of companies—it **added 1,400 new businesses a day** in 2021, [per](#) an annual letter released in April.

Why it matters: These partnerships may be critical to helping Klarna and Affirm sustain their businesses as recession fears, higher competition, and looming BNPL regulation threaten future growth.

Investors are tightening their purse strings on BNPL firms: Affirm went public in January 2021 at \$49 a share and [surged](#) to over \$170 a share by November. At writing, the price is below \$25. And Klarna is reportedly [seeking](#) \$1 billion in funding that would value it at \$30 billion—much lower than its \$46 billion valuation as of June 2021.

Although the overall tech space is [suffering similar setbacks](#), BNPL companies may be in an even more precarious position compared with other tech companies.

- An influx of new market entrants has made it harder to compete: Several large banks along with **Visa** and **Mastercard** have waded into the BNPL space in the last year.
- And the **Consumer Financial Protection Bureau's inquiry** into major BNPL firms (including Affirm and Klarna) could lead to tighter **regulation** that may affect operations and hurt growth.

US Buy Now, Pay Later (BNPL) Service Users, by Platform, 2021

% of BNPL users



Note: ages 14+; internet users who have accessed a buy now, pay later account digitally and have made a payment toward a purchase at least once in the past year; includes purchases of goods and services; BNPL users are not mutually exclusive; there is overlap between groups

Source: Insider Intelligence, May 2021

266570

[InsiderIntelligence.com](https://www.insiderintelligence.com)