



Affirm: Why Shoppers Are Walking Away From Credit Cards

Summary:

Affirm's buy now, pay later service offers shoppers a transparent alternative to credit cards. Consumers are told up front what monthly charge they will face, and the company promises no late fees or hidden charges – and in many cases offers a zero percent interest rate. Co-founder and chief executive Max Levchin reveals how he can offer such a service profitably and how AI-powered shopping agents could supercharge the business.

Background:

Scottish Mortgage first invested in Affirm in 2019, when it was still a private company.

Today, the listed business provides credit to millions of customers across the US, Canada and the UK when they make online and offline purchases, and it has its sights set on expanding further and taking a greater share of business away from the credit card industry incumbents.

“No one loves thinking about money because it's a drag, it's complicated,” Levchin tells investment manager Tom Slater in this interview. “It doesn't have to be this way. And we've proven that for our little niche, big as it is ... we can alleviate the burden.”

In this podcast, the two discuss how Levchin came to build Affirm after his prior success at PayPal, the technology that underpins the company's ability to tailor loans to each customer and purchase, why merchants are keen to cover the cost of zero percent credit from a third-party, and how AI-powered shopping agents could supercharge the business.

Timecodes:

00:03 Coming up...

00:48 Introduction

02:25 Max Levchin interview begins



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Glossary of terms (in order of mention):

Point-of-sale lending: Credit offered at the moment a customer buys something, either online or in a shop.

Network effects: The effect where a product or service becomes more valuable as more people or businesses use it.



Fintech: Technology-driven financial services, such as digital payments, lending or banking tools.

Charge-off: When a lender writes off a debt as unlikely to be repaid, usually damaging the borrower's credit record.

Delinquent/delinquency: A loan or credit account becomes delinquent when the borrower is late making required payments.

IPO: Initial public offering: the process by which a private company lists its shares on a public stock market.

Accrued interest: Interest that has built up over time on a loan or balance.

CMO: Chief marketing officer, the executive responsible for a company's marketing strategy.

Competitive moat: A durable advantage that makes it hard for competitors to copy or overtake a business.

Cash flow: The movement of money into and out of a person's or company's accounts.

Total addressable market: The total revenue opportunity available if a company could reach all possible customers for its product.

Operating expense: Day-to-day business spending, such as salaries, rent or marketing.

AI agent: An AI system that can carry out tasks or make decisions on a user's behalf.

Net promoter score: A customer loyalty measure based on how likely users are to recommend a company or product.

Flywheel: A business dynamic where one improvement drives another, creating self-reinforcing growth.