# UPGRADE

This report aims to inform readers about Upgrade Inc., a fintech company specializing in easily accessible consumer loans ranging from $1,000 to $50,000 (Forbes, 2024). Upgrade has rapidly grown to become a key player in the online lending industry, leveraging technology to streamline the borrowing process for consumers. The report includes company's history, its current functions, and its innovative approach to lending. Additionally, strategic recommendations are provided to guide Upgrade Inc. towards continued growth and success in the evolving fintech landscape.

# Findings

The company was founded by Renaud Laplanche, Jeff Bogan, Adelina Grozdanova, Matt Wierman, and Visar Nimani in 2017, with headquarters located in San Francisco, California. The main function of the firm is to offer personalized credits ranging from $1,000 to $50,000 to its customers. Additionally, they provide a credit card that offers cash back rewards. The issued loans are paid back in fixed amounts (Forbes, 2024). These features are disrupting certain elements of the World Economic Forum Taxonomy, which will be further discussed in this report.

According to Upgrade’s Website (2024), Upgrade has provided $27 billion worth of loans to its customers over the past 6 years. The latest data regarding the number of customers was reported by Forbes at the end of 2022 as 2.2 million. It should also be noted that the credit feature, which is the primary function of Upgrade, disrupts the "Deposit and Lending" element of the WEF Taxonomy. By issuing personalized and flexible loans, the company poses significant competition for the commercial banking system, which primarily focuses on converting short-term deposits into long-term loans. With the evolution of mobile banking, this disruption is expected to pose even greater challenges for traditional physical branches.

The latest available valuation of the company is $6.3 billion USD (Tracxn,2024), as of 2022. The most recent news regarding Upgrade Inc. is its acquisition of Uplift, another fintech company that operates similarly to Upgrade by providing clients with affordable and personalized loans. The acquisition was announced by Upgrade on July 27, 2023 (Upgrade Press Room,2024). This acquisition clearly indicates the strong growth trajectory that Upgrade has experienced since its foundation.

Another service that Upgrade offers its customers is the everyday savings account feature, which has been in operation since October 27, 2022. As of April 18, 2024, users investing in everyday savings accounts can earn up to a 5.21% APY, making it one of the best alternatives among high-yield savings accounts. According to Investopedia (2024), Upgrade currently provides the 13th highest-yield savings account feature for its users.

This feature once again disrupts the "Deposits and Lending" element of the WEF Taxonomy, which is the primary focus of commercial banks. By utilizing these fintech options, users can achieve better yields on their savings accounts compared to using traditional commercial banks.

Another important feature that Upgrade offers to its card users is the Bitcoin rewards system. Users can earn a 1.5% bitcoin reward on every spending. This reward program was launched on July 21, 2021, and is still in operation. By offering cards without any annual fees and an unlimited cashback feature, Upgrade clearly disrupts the "Payments" element of the World Economic Forum Taxonomy. As the world moves towards a cashless society, this feature gains even greater potential with the integration of mobile payments.

The integration of Bitcoin as an optional cashback reward demonstrates the innovative approach that Upgrade takes. With potential advancements in emerging payment rails and the development of crypto protocols, this feature could gain even more significance in the near future.

Like any other successful business, Upgrade faces competition from major players in the industry. LendingClub is one such competitor, providing customers with personal loans similar to Upgrade. SoFi is another platform that has gained popularity with its student loan refinancing services, offering mortgages alongside personal loans. Avant specializes in serving customers with low credit ratings. With various competitors in the same sector, Upgrade needs to continually update its features to stay ahead.

In the next section of this paper, strategic recommendations will be provided regarding the current and potential future ecosystem to help Upgrade maintain its competitive edge.

# Recommendations

The first recommendation for Upgrade is the integration of Bitcoin or other cryptocurrencies into their payment systems. While Upgrade currently offers Bitcoin as a cashback option, there are no recent reports about allowing Bitcoin or other cryptocurrencies as a direct payment method for card users. By integrating this feature, users would be able to use their cryptocurrency holdings for transactions, not just as a store of value.

This move would position Upgrade as a pioneer in promoting the use of cryptocurrencies as payment systems in the financial industry. As of April 2024, only a few exchanges like Coinbase and Crypto.com, along with some fintech companies such as Wirex, Bitpay, and Monolith, offer debit cards that enable payments with cryptocurrencies (Coinledger.io,2024). This suggests that the competition in this area is relatively limited, offering Upgrade a significant opportunity for differentiation and growth.

However, there are challenges to consider. One major obstacle is the need to adapt the legislative framework in many countries to allow companies like Upgrade to issue debit cards that can be used with cryptocurrencies. Despite these challenges, countries like the US and Australia already have a regulatory framework in place that allows cardholders to make cryptocurrency payments.

By overcoming these regulatory hurdles and pioneering the integration of cryptocurrencies into its payment systems, Upgrade could gain a competitive advantage and attract a new segment of tech-savvy customers interested in cryptocurrency usage. This move would also align with the growing trend towards a cashless society and the increasing acceptance of cryptocurrencies as a legitimate form of payment.

Secondly, Upgrade could offer floating-rate, small-sized loans targeted at low-credit-rated customers to expand its customer base. Floating rates would provide Upgrade with larger and more flexible margins. Additionally, by serving low-credit-rated customers who typically struggle to secure loans from traditional commercial banks, Upgrade could tap into a previously underserved market and create significant demand for its services.

However, this approach comes with risks, particularly in terms of accounts receivable. Lending to low-credit-rated customers carries a higher risk of default. Therefore, Upgrade would need to establish stricter lending criteria and agreements to mitigate these risks and ensure a stable future cash flow for the company.

Another potential feature that Upgrade could introduce is the ability for customers to trade commodities directly within the application. Commodities such as gold, platinum, and oil are trending in 2024, making them attractive investment options for many. By enabling customers to trade these commodities using the capital in their savings accounts, Upgrade could tap into the growing interest in commodity trading and attract a broader customer base.

Implementing this feature would necessitate Upgrade obtaining a trading license. While securing the required license could be a costly and time-consuming, the potential benefits in terms of attracting new customers and diversifying revenue streams could make it a worthwhile investment. Offering commodity trading within the app would not only enhance the user experience but also position Upgrade as a comprehensive financial platform catering to a variety of investment preferences.

Furthermore, this feature could encourage customers to keep more funds within their Upgrade accounts, increasing the platform's stickiness and fostering long-term customer loyalty. By continually expanding its range of services and investment options, Upgrade can strengthen its competitive position in the fintech industry and appeal to a broader audience of potential users.

In addition to commodities trading, Upgrade could also offer cryptocurrency trading to its customers. Given the company's reputation for low fees, this could be a significant competitive advantage. If Upgrade can maintain near-zero fees for cryptocurrency trading, it would undoubtedly attract more customers who are always seeking cost-effective trading options.

If these trading options were enabled, Upgrade could also consider developing an AI-based investment advisory system, which would disrupt the "Investment Management" element of the WEF Taxonomy. Users who are interested in investing but lack financial market experience could benefit greatly from such a feature, potentially expanding Upgrade's client base. The costs associated with developing such an AI assistant wouldn't be prohibitive, as there are many existing implementations that could be tailored to meet Upgrade's specific goals.

After its acquisition in July 2023, Upgrade should shift its focus away from aggressive growth, especially with the current high nominal interest rates. Instead, the company should aim to lend more to its customers to capitalize on the high interest rates. In 2024, with interest rates being high, easily accessible loans are hard to come by. By increasing lending during this period of high interest rates, Upgrade can expand its client base.

This strategy would position Upgrade well for 2026, when interest rates and inflation rates may be lower. With a larger client base established during the high-interest-rate period, Upgrade would be better positioned to attract deposits more easily. These deposits could then be used to fuel further growth for the company.

# Conclusion

In conclusion, Upgrade Inc. has established itself as a key player in the fintech industry, offering innovative financial solutions such as personalized loans, high-yield savings accounts, and cryptocurrency rewards. With a strong foundation and a history of rapid growth, the company is well-positioned to capitalize emerging trends and opportunities in the financial market.

Strategic recommendations, including the integration of cryptocurrencies, expansion into commodity trading, and the development of AI-based investment advisory systems, could further differentiate Upgrade from its competitors and attract a broader customer base.

As Upgrade continues to adapt to changing market conditions, its focus on customer-centric solutions and innovative offerings will be key to sustaining its growth and success in the competitive fintech industry.

# References

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