

Buy Now, Pay Later

Klarna Case Study

Lecture Listening

By Sarah Jackson

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Outline

- A definition of BNPL.
- Market share and the key players in the industry.
- Klarna's reasons for success.
- Drawbacks with this industry.
- Summary of key research findings.



Definition

According to Sproson (2022), BNPL is...

- Online or in-store purchases.
- A third-party pays the retailer.
- Repayment over a number of weeks or months.
- Common feature in nearly all online stores.

• Source: Sproson (2022). *Buy now, pay later: how it works and what to look out for* [online].





BNPL








- Alternative payment
- No interest fees
- Repayment / late fees
- Hard credit check
- Unregulated

Source: Sproson (2022). *Buy now, pay later: how it works and what to look out for*.



<h3 style="text-align: center;">Market share</h3> <div style="display: flex; align-items: center;">  <ul style="list-style-type: none"> • Coronavirus pandemic • Europe • Sweden • Germany • Norway </div> <p style="font-size: small; margin-top: 10px;">Source: Statista (2021a). Market share of buy now, pay later in domestic e-commerce payments. </p>	
<h3 style="text-align: center;">Key players</h3> <div style="display: flex; flex-wrap: wrap; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; padding: 5px; margin: 5px;">Klarna.</div> <div style="border: 1px solid black; padding: 5px; margin: 5px;">clearpay</div> <div style="border: 1px solid black; padding: 5px; margin: 5px;">LAYBUY</div> <div style="border: 1px solid black; padding: 5px; margin: 5px;">Payl8r</div> <div style="border: 1px solid black; padding: 5px; margin: 5px;">Openpay</div> <div style="border: 1px solid black; padding: 5px; margin: 5px;">PayPal</div> <div style="border: 1px solid black; padding: 5px; margin: 5px;">zilch</div> </div> <p style="font-size: small; text-align: right; margin-top: 10px;"></p>	
<h3 style="text-align: center;">Key players</h3> <div style="display: flex; justify-content: space-around; align-items: center; margin-top: 20px;"> <div style="border: 1px solid black; padding: 5px; margin: 5px;">Klarna.</div> <div style="border: 1px solid black; padding: 5px; margin: 5px;">clearpay</div> <div style="border: 1px solid black; padding: 5px; margin: 5px;">LAYBUY</div> </div> <p style="font-size: small; text-align: right; margin-top: 10px;"></p>	
<h3 style="text-align: center;">LAYBUY</h3> <div style="display: flex; align-items: center; margin-top: 20px;"> <div style="border: 1px solid black; padding: 10px; margin-right: 20px;">  <p style="margin: 0;">LAYBUY Pay it, easy.</p> </div> <ul style="list-style-type: none"> • Market leading position • Customers • Growth • Company Value </div> <p style="font-size: small; margin-top: 10px;">Source: Statista (2021b). Biggest buy now, pay later providers worldwide based on gross merchandise. </p>	

<p style="text-align: center;">Clearpay</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p style="text-align: center;">clearpay </p> <p style="text-align: center;">Shop now. Pay later. Always interest-free.</p> <p style="text-align: center; font-size: small;">Terms & Conditions Apply</p> </div> <ul style="list-style-type: none"> • Subsidiary company • Customers • Growth • Company Value <p style="font-size: x-small; margin-top: 20px;">Source: Statista (2021b). <i>Biggest buy now, pay later providers worldwide based on gross merchandise.</i> </p>	
<p style="text-align: center;">Klarna</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p style="text-align: center;">Buy Now. Pay Later With Klarna.</p> </div> <ul style="list-style-type: none"> • Customers • United States • Transaction value • Company Value² <p style="font-size: x-small; margin-top: 20px;">Source 1: Statista (2021b). <i>Biggest buy now, pay later providers worldwide based on gross merchandise.</i> Source 2: Forbes (2021). <i>Klarna's valuation triples in six months to \$31 billion.</i></p>	
<div style="text-align: center;">  <p style="font-size: large; font-weight: bold; margin-top: 10px;">Case Study</p> </div> <p style="text-align: right; font-size: x-small; margin-top: 20px;"></p>	
<p style="text-align: center;">Klarna Success: Customers</p> <ul style="list-style-type: none"> • 'Pay in 4' interest-free payments • 'Pay in 30 Days' • 250,000 retail partners • Adidas, H&M and Sephora • Instant refunds • Klarna's Rewards Club (discounts and gift cards) <p style="font-size: x-small; margin-top: 20px;">Source: Klarna (2021). <i>What Is Klarna?</i> </p>	

<h2 style="text-align: center;">Klarna Success: Retailers</h2> <ul style="list-style-type: none"> • Overall revenue by 70% • Purchase frequency by 45% • Average order value by 41% • Retail conversion by 30% • Return on advertising spend by 25% <p style="font-size: small;">Source: Klarna (2021). <i>Klarna For Business</i>.</p> <p style="text-align: right;"></p>	
<h2 style="text-align: center;">Drawbacks</h2> <ul style="list-style-type: none"> • Purchase protection • Sign up agreements • Section 75 consumer protection¹ • Credit checks and credit history • Survey by Sewraz (2020)² • Potential Risks <p style="font-size: small;">Source 1: Sproson (2022). <i>Buy now, pay later: how it works and what to look out for</i>¹ Source 2: Sewraz, R., (2020). <i>Can shopping with Klarna, Clearpay or Laybuy hurt your credit score?</i></p> <p style="text-align: right;"></p>	
<h2 style="text-align: center;">Summary</h2> <ul style="list-style-type: none"> • Growth and popularity • Online checkouts and in most retail industries • Low-risk, interest free method of accessing credit • Unregulated issue • New level of indebtedness • Two suggestions for improvement. <p style="text-align: right;"></p>	
<h2 style="text-align: center;">References</h2> <ul style="list-style-type: none"> • Forbes, (2021). <i>Klarna's valuation triples in six months to \$31 billion, minting two new fintech billionaires</i> [online]. Available at: https://www.forbes.com/sites/jeffkauffman/2021/03/01/klarinas-valuation-triples-in-six-months-making-cofounders-billionaires/. [Viewed 07.01.2022]. • Klarna, (2021). <i>What Is Klarna?</i> [online]. Available at: https://www.klarna.com/us/what-is-klarna/. [Viewed 07.01.2022]. • Klarna, (2021). <i>Klarna For Business</i> [online]. Available at: https://www.klarna.com/us/business/. [Viewed 07.01.2022]. • Sewraz, R., (2020). <i>Can shopping with Klarna, Clearpay or Laybuy hurt your credit score?</i> [online]. Available at: https://www.which.co.uk/news/2020/01/can-shopping-with-klarna-clearpay-or-laybuy-hurt-your-credit-score/. [Viewed 10.01.2022]. • Sproson, K., (2022). <i>Buy now, pay later: how it works and what to look out for</i> [online]. Available at: https://www.moneySavingExpert.com/loans/buy-now-pay-later/. [Viewed 07.01.2022]. • Statista, (2021a). <i>Market share of buy now, pay later (BNPL) in domestic e-commerce payments in 21 countries worldwide from 2016 to 2020</i> [online]. Available at: https://www.statista.com/statistics/1233850/online-bnpl-penetration-country/. [Viewed 07.01.2022]. • Statista, (2021b). <i>Biggest buy now, pay later (BNPL) providers worldwide based on gross merchandise volume (GMV) in 2020</i> [online]. Available at: https://www.statista.com/statistics/1255448/bnpl-providers-ranked-by-transactions/. [Viewed 07.01.2022]. • Statista, (2021c). <i>Biggest buy now, pay later (BNPL) providers worldwide based on active users as of June 2021</i> [online]. Available at: https://www.statista.com/statistics/1274680/bnpl-klarna-afterpay-affirm-active-users/. [Viewed 07.01.2022]. <p style="text-align: right;"></p>	