The planning challenges at a young fast growing company

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This is the Klarna Group

- Founded in 2005, with a focus on simplifying buying online
- World market-leader in after-delivery payments
- €4.6 billion transaction volume in 2013 (FC €7.1 billion in 2014)
- 45,000 online merchants across Europe
- 25 million consumers
- 15 countries
- More than 1,100 employees
- Main shareholders: Employees and Founders, Sequoia Capital, General Atlantic, DST Global, and Atomico
Over 45,000 merchants love Klarna’s products
Business model

Things to be forecasted:

- # of future, existing merchants
- Consumer/Merchant behavior
  - Country
  - Segment
  - Etc.
- Payment method distribution
- Revenues & costs for payment methods
Previous forecasting model and requirements

Old solution

• An Excel model with 275 sheets
• Based on a cohorts
• Manual updating of data
  • A lot of manual labour
  • Prone to manual errors
• No adequate logic to handle both seasonality and trend
  • Specifically relevant for merchants with few data points
  ➢ Aggressive revenue estimations long-term
  ➢ To high cost base as a result

Requirements

1. Accurate
   1. Seasonality & trend
   2. Systematic approach for future and recently live merchants

2. Something more scalable:
   • New countries
   • New payment methods
   • New products
   • Upselling and cannibalization

3. Quicker to update

4. Easy to maintain/develop further

5. Understandable

6. Ability to slice and dice and do specific overrides
We ended up having:

• One internal project leader
• 1-3 inhouse people
• 1-2 SAS consultants

• Easier to steer than a lot of external SAS consultants running around
• You really need to understand the business to build a good solution
• A lot cheaper
### Requirements

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### Result

1. More accurate, MAPE decreased by 70%
2. Much more scalable than prior Excel solution
   • Easy to add new countries
   • Easy to add new payment methods
   • Slightly more difficult to add new products
   • Upselling between potential future products still requires development
3. Quicker to update and forecast
   • 20 minutes to update data
   • Full automation not worth time invested due to frequent changes in system
4. A system possible to develop and maintain internally
   1. Modular
   2. Know-how exists since internal project
   3. SAS Enterprise Guide quite easy to learn
5. Full ability to slice and dice forecasting data
Lessons learned

- Business knowledge and time extremely vital in order to project lead
- Spur the internal creative process, keep only a small amount of consultants for more complicated work (if possible)
- Module management makes things scalable and easier to change
- Deliver things in phases
- A certain level of stability is required if automation should be worth it