

Klarna

The planning challenges at a young fast growing company

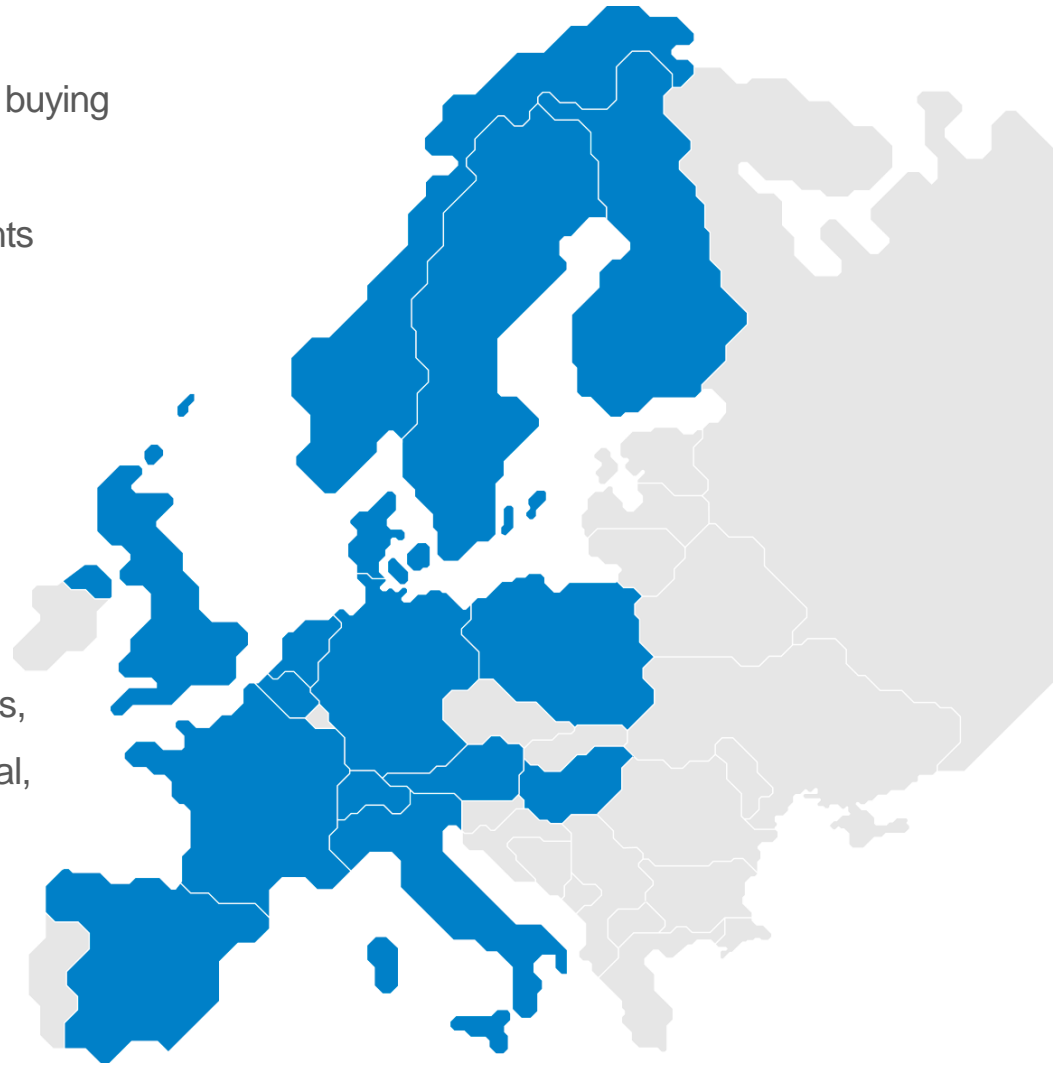
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This is the Klarna Group

- 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





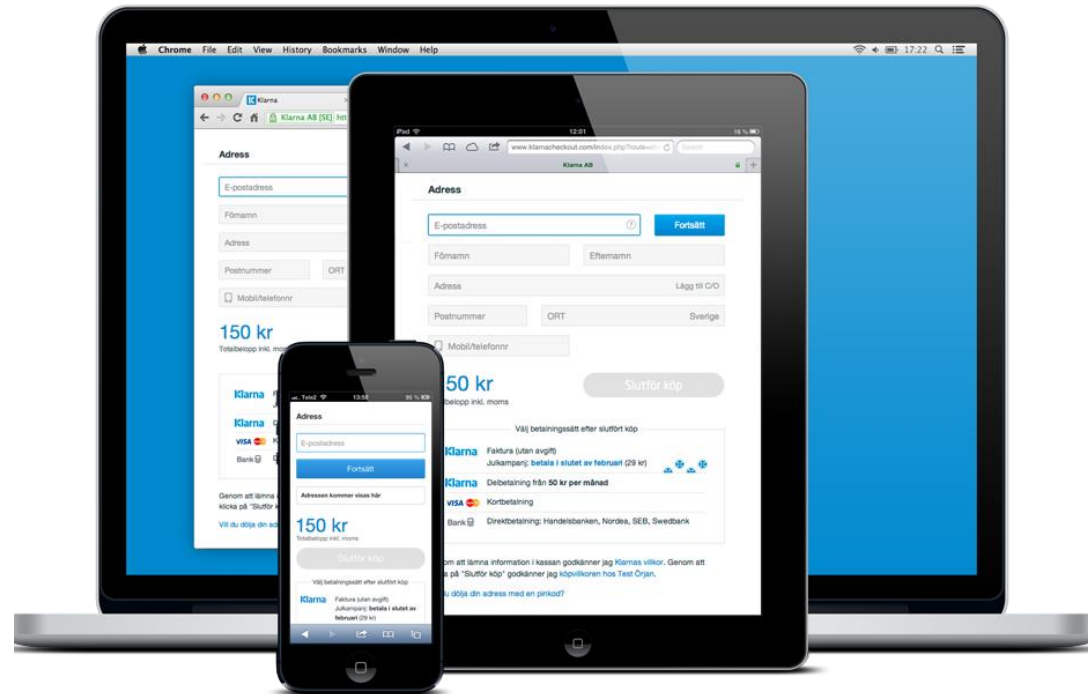
Over 45,000 merchants love Klarna's products





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 Excelmodel 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

Project group

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

Result

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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